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Canada, Coasting Trade,  
in  
Royal Commission on

*Antoine Lafite*

ROYAL COMMISSION ON COASTING TRADE

Vol. 15

Part A.

*Hearings*

*CITY OF TORONTO*

TORONTO SESSIONS

*Vol. 15 [16]*

Proceedings of  
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ROYAL COMMISSION ON COASTING TRADE

Report of hearings held in Toronto,  
Ontario, commencing on Monday,  
October 31st, 1955 at 2:30 P.M.

---

## PRESENT:

THE CHAIRMAN, The Honourable Mr. Justice  
W.F. Spence.

Mr. W.N. Wickwire, Q.C.)

) Commissioners

Mr. M. Belanger, C.A. )

Mr. D.W. Mundell, Q.C. )

) Commission Counsel

Mr. Paul Gerin-Lajoie )

Mr. H. Kemp

Economic Adviser to  
the Commission

---Mr. P. Cimon

Ass't Secretary

- - - - -

THE CHAIRMAN: We are indeed indebted to  
the University of Toronto for the opportunity of  
conducting the hearings in such a magnificent  
chamber.

MR. MUNDELL: Mr. Chairman, subject to  
your direction I thought I should outline the pro-  
posals we have for the order in which the hearings  
will take place in Toronto, of which notice has  
gone out to the various parties who will be pre-  
senting briefs.

We have before us today, October 31st, we







1 propose first to hear the Toronto Harbour Commission-  
2 ers, who are not on the previous list. The Toronto  
3 Harbour Commissioners have filed a brief which is  
4 not numbered and not in the printed volume.

5 Then, we propose to hear the Toronto Board  
6 of Trade. I should say the reason we have the  
7 Toronto Harbour Commissioners first is because their  
8 submission is largely factual, completely factual,  
9 and takes no position on any controversial question  
10 involved, but provides a very useful background  
11 for all the rest of the submissions.

12 We propose to have the Toronto Board of Trade,  
13 which is brief No. 50, the Canadian Shipping and  
14 Marine Engineering News, which is brief No. 12.  
15 Atlas Steels Limited, which is brief 33, and then the  
16 brief of the Canadian Federation of Agriculture which  
17 has just been filed, copies of which are available  
18 to parties if they are interested, but which is  
19 not numbered and which is not in the printed briefs.

20 Tomorrow we propose, firstly, to have the  
21 Government of the Province of Alberta, which has no  
22 brief number and which has just been received  
23 recently. We propose to have the Canadian Blower  
24 and Forge Ltd., Cabot Carbon of Canada Ltd. We  
25 have Sun Steamships Ltd. on the list, but they have  
26 indicated that they do not propose to make an oral  
27 presentation. Then next we have the Bathurst  
28 Mining Corp. Ltd., Gypsum, Lime & Alabastine,  
29 Canada, Ltd., and then J.H.F. Teed, who is not on  
30







1 the list which was sent out, of Saint John, New  
2 Brunswick, for Irving Pulp and Paper and the New  
3 Brunswick Motors Ltd. I am not giving the brief  
4 numbers. I can make that available to anybody who  
5 is interested.

6 On November 2nd, the day after tomorrow, we  
7 propose to start with Foster Wheeler Ltd., the  
8 Windsor Chamber of Commerce, and then John Inglis  
9 Co. Ltd., if that is agreeable to you, sir.

10 I would ask Mr. Griffith, appearing on be-  
11 half of the Toronto Harbour Commissioners, to pre-  
12 sent their brief.

13  
14  
15 SUBMISSION OF TORONTO HARBOUR COMMISSIONERS

16 ---Mr. E.B. Griffith, General Manager, appearing.

17  
18 MR. GRIFFITH: Mr. Chairman, members of the  
19 Royal Commission on coasting trade. The actual sub-  
20 missions of the Toronto Harbour Commissioners is a  
21 factual one dealing with the Metropolitan Toronto  
22 area, which is the largest and most important seg-  
23 ment of the total area served by the Port of  
24 Toronto.

25 It also deals with the development of the  
26 Port of Toronto and insofar as it is possible at  
27 this time the potential future development,  
28 having in mind the hopes of the Seaway.

29 We have referred in the brief to the var-  
30 ious sources of the statistics that have been used







1 and we have been able to obtain additional copies.  
2 If the Commissioners of the Royal Commission desire  
3 we will be glad to file those as exhibits.

4 MR. MUNDELL: I should think we should in  
5 the first place, Mr. Chairman, file the submission  
6 of the Toronto Harbour Commissioners as the next  
7 exhibit, and following that the other statistical  
8 data.

9  
10 ---EXHIBIT NO. 155: Submission of The Toronto Har-  
11 bour Commissioners.

12 THE CHAIRMAN: Yes?

13 MR. GRIFFITH: The next, sir, is the Annual  
14 Report of the Commissioner of Finance of the Municipi-  
15 pality of Metropolitan Toronto, Canada, for the year  
16 1954.

17  
18 ---EXHIBIT NO. 156: Annual Report of the Commissioner  
19 of Finance (1954) for the Muni-  
20 cipality of Metropolitan  
21 Toronto.

22 THE CHAIRMAN: Yes?

23 MR. GRIFFITH: The Canadian Statistical Re-  
24 view, issued by the Dominion Bureau of Statistics,  
25 Ottawa, Canada, for August, 1955.

26  
27 ---EXHIBIT NO. 157: Canadian Statistical Review,  
28 August, 1955.

29 THE CHAIRMAN: Yes?

30 MR. GRIFFITH: Reference is made in the  
footnote of the submission, sir, to Maclean's  
Building Guide, which is a monthly publication.







1 We are submitting a letter from the editor giving the  
2 totals of the figures to which we refer in the brief  
3 for a period of one year.

4  
5 ---EXHIBIT NO. 158: Maclean's Building Guide (month-  
6 ly).

7 MR. GRIFFITH: We will not file, sir, but  
8 simply refer to census 1951, Volume 7, Table 2, which  
9 is on the footnote of the submission.

10 The next would be the Annual Report of the  
11 Toronto Industrial Commission for the year 1954.

12 ---EXHIBIT NO. 159: Annual Report of the Toronto  
13 Industrial Commission for the  
14 year 1954.

15 THE CHAIRMAN: Yes?

16 MR. GRIFFITH: I would like to make refer-  
17 ence, sir, to Trade of Canada for the year ending  
18 December 31st, 1953, Volume 1, referring to pages  
19 57 and 58, Tables 10 and 13.

20 THE CHAIRMAN: That is Dominion Bureau of  
21 Statistics?

22 MR. GRIFFITH: Yes.

23 Business Year Book, 1955, published by the  
24 Financial Post, special reference to page 101.

25 ---EXHIBIT NO. 160: Business Year Book, 1955,  
26 published by The Financial  
27 Post.

28 MR. GRIFFITH: I would also like to make  
29 reference, sir, to Volume 32, No. 7, dated July  
30 1955, Dominion Bureau of Statistics, referring to  
cheques cashed in the various centres of Canada and







1 the totals. Also, Volume 32, No. 6, of the Dominion  
2 Bureau of Statistics, referring to the same matter;  
3 and lastly, to the Taxation Statistics issued by the  
4 Minister of National Revenue for the year 1954,  
5 special reference to page 25, notes on Volume 4,  
6 page 47, Volume 4.

7 If there is any further information, Mr.  
8 Chairman, which would be available to the Toronto  
9 Harbour Commissioners in connection with the Metro-  
10 politan Toronto area or the Port of Toronto, we  
11 would be very glad to do everything we can possible  
12 to obtain that if it would be of any assistance to  
13 yourself and your fellow members.

14 THE CHAIRMAN: Thank you.

15 MR. MUNDELL: There are one or two very small  
16 to which  
17 matters I would like to refer Mr. Griffith. In view  
18 of the fact the Commissioners are taking the position  
19 that this is to be merely a factual presentation of  
20 the Port's position, I do not think it would be pro-  
21 per or desirable to go into any contraversial  
22 matter, so I would like to ask one or two things  
23 merely referring to the figures set out in the sub-  
24 mission on page 5 in the second paragraph. I  
25 may say that earlier I spoke to Mr. Griffith about  
26 obtaining a breakdown of the tonnages moved to  
27 and from Toronto from and to Canadian ports. That  
28 is not available today, but we understand Mr.  
29 Griffith will forward it on at a later date.

30 MR. MUNDELL: Q. On page 6 under the







2/  
1 heading "New St. Lawrence Canal System" in paragraph  
2 No. 1 with respect to direct overseas shipments  
3 that may be expected to increase after the Seaway  
4 has been completed, I understand from Mr. Griffith  
5 he can give one example of present shipments that  
6 may be expected to increase. Is that correct?

7 MR. GRIFFITH: I believe, Mr. Chairman,  
8 Mr. Mundell is referring to a specific case which  
9 came to our attention a short while ago as to the  
10 possible effect of cheaper water transportation.

11 The Coleman Lamp Company in Toronto produced  
12 a new type of space heater which was considered by  
13 Swedish distributors to be very acceptable to the  
14 Swedish market. It was, however, necessary that it  
15 be laid down in Sweden at a particular cost. We  
16 have been advised by the Company that the only  
17 method they were able to sell that particular heater  
18 on the Swedish market was as a result of cheaper  
19 water transportation arising from the direct all-  
20 water rate from the Port of Toronto to Sweden.

21 In that particular instance the difference  
22 between the all-water rate and the rail-and-water  
23 rate via Montreal -- there was a difference, I  
24 believe, of approximately \$9.85. As a result of  
25 that the first full year's production of the Com-  
26 pany of this particular heater has gone for export.

27 THE CHAIRMAN: Q. Now, how was that  
28 heater shipped, directly in a Swedish ship from  
29 Toronto, or shipped to Montreal and transshipped?  
30





1 MR. GRIFFITH: No, sir. It was shipped  
2 directly from Toronto on direct overseas trade to  
3 Sweden.  
4

5 MR. MUNDELL: Q. On the same page the  
6 second enumerated paragraph: at the top you refer  
7 to substantial increase in water-borne traffic, and  
8 that is, of course, by reason of transshipment to  
9 Great Lakes ports. I was wondering if you could  
10 expand your expectations slightly in relation to  
11 that matter?

12 MR. GRIFFITH: It is anticipated, Mr. Chair-  
13 man, that there will be a substantial increase of  
14 transshipment from the Port of Toronto to other Great  
15 Lakes ports. Due to the large and important areas  
16 served by the Port of Toronto it is felt that these  
17 large ocean vessels will have sufficient cargo to  
18 warrant their calling at this particular port.

19 They may also have cargo for other ports on  
20 the Great Lakes which have either too small a draught  
21 to accomodate the larger ships, or whose actual ton-  
22 nage for that individual port would not warrant  
23 the moving in of one of the larger 10,000-ton ocean  
24 ships.

25 These goods will be put off at the Port  
26 of Toronto and transferred from Toronto to these,  
27 what I refer to, as the smaller Great Lakes  
28 ports.

29 We also felt that, as mentioned in the  
30 brief, there is a very strong possibility of an







1 increase in transshipment from the Port of Toronto  
2 to the head of the Lakes.

3 MR. MUNDELL: Mr. Chairman, in view of the  
4 statistical information, as submitted, is so very  
5 complete, I have really nothing further to ask the  
6 Toronto Harbour Commissioners beyond thanking them  
7 for saving counsel the trouble of asking questions.

8 COMMISSIONER WICKWIRE: Q. Mr. Griffith,  
9 do you have any statistics which would show the ad-  
10 vantages or the disadvantages of unloading from the  
11 side-loading vessels as distinct from the customary  
12 type of hold?

13 MR. GRIFFITH: We do not, sir, have the  
14 cost factor involved in connection with that. I  
15 am quite sure that we will be able to contact the  
16 various companies concerned and perhaps be able to  
17 obtain the information and submit it at a later  
18 date.

19 COMMISSIONER WICKWIRE: Thank you.

20 THE CHAIRMAN: I think that would be a  
21 valuable addition to our data if you could do so.

22 MR. MUNDELL: I might also mention, Mr.  
23 Chairman, Mr. Griffith has said he will endeavour  
24 to find out the relative cost of stevedoring  
25 per ton for the various types of cargo and will  
26 let the Commission have that information.

27 THE CHAIRMAN: Thank you very much, Mr.  
28 Griffith.

29 MR. MUNDELL: The next submission will be  
30







1 Mr. Chairman, the Toronto Board of Trade, brief No.  
2 50 in Volume 1 of the printed brief.

3 Mr. J.C. Noseworthy appearing on behalf of  
4 the Board of Trade.

5  
6 SUBMISSION OF THE TORONTO BOARD OF TRADE

7  
8 ---Mr. J.C. Noseworthy, Traffic Manager, Toronto  
9 Board of Trade, appearing.

10 THE CHAIRMAN: Yes, Mr. Noseworthy?

11 MR. NOSEWORTHY: Mr. Chairman and Commission-  
12 ers. I have just a few additional comments to  
13 make here, and if I may have your permission I would  
14 like to read them out.

15 The Board of Trade of the City of Toronto  
16 appreciates greatly the opportunity to appear before  
17 you for the purpose of presenting its views respec-  
18 ting the subject of your inquiry, namely, the  
19 Coasting Trade of Canada. Before proceeding the  
20 Board would like to acquaint you with the nature  
21 and extent of its membership. As stated in its  
22 submission, the Toronto Board of Trade includes  
23 within its membership of approximately 6,200 per-  
24 sons a substantial number of people who represent  
25 large and small businesses engaged in all phases  
26 of commercial and industrial activities. While  
27 its membership is concentrated mainly in the  
28 Toronto area, the larger member firms operate busi-  
29 nesses that in numerous cases are both Provincial-  
30 wide and Dominion-wide. Transportation, there-





1 fore, is an important factor in the operation of  
2 these businesses and in consequence a matter of  
3 deep concern to the members of this Board.

4 At this point I should like to record the  
5 association of the Board of Trade with the brief  
6 which has been presented to you by the Toronto Har-  
7 bour Commissioner. Since the Commission's informa-  
8 tion covers the statistical and physical aspects of  
9 the operation of the Port of Toronto so adequately,  
10 the Toronto Board of Trade feels that nothing is to  
11 be gained by submitting further detailed material  
12 covering the same field which would be but a dupli-  
13 cation of the material furnished in the Harbour Com-  
14 mission's brief. The only comment the Toronto Board  
15 of Trade wishes to make concerning the submission of  
16 the Toronto Harbour Commission is to draw attention  
17 to the important role of Coastal Trade in the  
18 development of the Port of Toronto, as shown in the  
19 data submitted by the Harbour Commission.

20 To avoid any misunderstanding of our position  
21 in this inquiry, I would like to emphasize the  
22 point that the Toronto Board of Trade is princi-  
23 pally interested in the economic development of  
24 the Toronto area from the long-range point of  
25 view, the role which business should play in that  
26 development and the measures which ought to be  
27 adopted to enable business to perform its proper  
28 function in the most effective manner possible.

29 The course of development in the Toronto  
30







1 area seems to lead to the inescapable conclusion  
2 that there will be a tremendous industrial expansion  
3 and hence the need for greater distributive facilities.  
4 Consequently, it should be the primary  
5 consideration of the Royal Commission to make recommendations  
6 which will be conducive to the fullest  
7 realization of this potential. As applied to the  
8 Coasting Trade, this would envisage economic low-  
9 cost water transportation and the widest possible  
10 range of services within the limitations specified  
11 in the Board's brief already filed with the Com-  
12 mission.

13 The growth of Canada has been most extensive  
14 and has captured the attention of all countries of  
15 the world. We occupy an important position as a  
16 leading trading nation. Toronto is proud to have  
17 been able to contribute significantly to the country's  
18 growth. The principles of free competitive enter-  
19 prise which govern our economic activity have been  
20 largely responsible for our development, and it is  
21 of paramount importance that these principles be  
22 maintained.

23 I do not think I have anything further to  
24 add there at the moment.

25 MR. MUNDELL: I would like to be permitted  
26 to ask a few questions to clarify, if I may,  
27 some doubts I have.

28 In the first place, Mr. Noseworthy, has  
29 your Board of Trade amongst its members a shipyard  
30







1 operator or a ship operator?

2 MR. NOSEWORTHY: No, sir, we have not.

3 MR. MUNDELL: You would have, I suppose,  
4 suppliers of components to shipbuilders, or do you  
5 know?

6 MR. NOSEWORTHY: I would say yes to that.

7 THE CHAIRMAN: John Inglis & Company, are  
8 they not?

9 MR. NOSEWORTHY: They are members of our  
10 Board, sir, yes.

11 MR. MUNDELL: Q. Well then, dealing with  
12 the third paragraph of your submission on page 2,  
13 "The Board would be opposed --" you state, " -- to  
14 any revisions in the existing regulations which  
15 would limit or restrict the free flow of goods in  
16 direct routes between Canadian and overseas ports."  
17 That is, of course, related to international trade.  
18 I just want to get this out of the way. That,  
19 of course, is not within the jurisdiction of the  
20 Commission, but you are very clear on that recom-  
21 mendation.

22 MR. NOSEWORTHY: Well, it was mentioned  
23 in the Terms of Reference. That was why we ---

24 MR. MUNDELL: Q. What I was really going  
25 to ask is, I am not clear what your recommendation  
26 is.

27 THE CHAIRMAN: Of course, Mr. Noseworthy,  
28 the reference in the Terms of Reference to  
29 international trade is only mentioned there as  
30





1 far as the effect of coasting trade on international  
2 trade is concerned. International trade of itself,  
3 apart from the coasting trade, is not within the  
4 Terms of Reference.

5 MR. NOSEWORTHY: I was reading from para-  
6 graph (c), the relationship of the coasting trade  
7 of Canada, including the Great Lakes, to the domes-  
8 tic and international trade of Canada.

9 MR. MUNDELL: Q. Perhaps I can clear this  
10 up. Were you thinking there of coasting trade as  
11 being one possible leg in the international trade?

12 MR. NOSEWORTHY: No, sir.

13 MR. MUNDELL: Q. Coming to the first page  
14 of your brief, in paragraph No. 2 in the last sen-  
15 tence, where you say: "For this reason the Board  
16 urges that any proposed changes which would have  
17 the effect of retarding these developments --"  
18 That is the development of cheaper facilities --  
19 "-- be carefully scrutinized in relation to the  
20 need to avoid delay in the realization of the trad-  
21 ing potentialities of this area".

22 Is that to be interpreted as meaning that  
23 your Board is opposed to any restriction of any  
24 ships that may be engaged in the coasting trade?

25 MR. NOSEWORTHY: Would you repeat the  
26 question?

27 MR. MUNDELL: Q. My question is this:  
28 Is this sentence to be interpreted as indicating  
29 that your Board of Trade is opposed to any  
30







1 restriction of any ships that may be engaged in  
2 the coasting trade?

3 MR. NOSEWORTHY: Well, only within the  
4 limits of those specified in our brief.

5 MR. MUNDELL: Q. What I am trying to get  
6 at is, what are the limits to which you refer?

7 MR. NOSEWORTHY: These principles of trans-  
8 portation, among others, have been important factors  
9 in the continued development of our transportation  
10 system; consequently, any proposals involving changes  
11 in these principles should be carefully examined  
12 to ensure that such revisions would be desirable and  
13 in the public interest.

14 COMMISSIONER WICKWIRE: I am not sure that  
15 the reporters can hear you and I am having diffi-  
16 culty, Mr. Mundell.

17 MR. MUNDELL: Would you speak up, please,  
18 Mr. Noseworthy?

19 MR. NOSEWORTHY: We say here that these  
20 principles of transportation, among others, have  
21 been important factors in the continued development  
22 of our transportation system; consequently, any  
23 proposals involving changes in these principles  
24 should be carefully examined to ensure that such  
25 revisions would be desirable and in the public  
26 interest.

27 MR. MUNDELL: Q. Now, the principles of  
28 transportation to which you refer are those in  
29 the preceding sentence.  
30





1 MR. NOSEWORTHY: That is right.

2 MR. MUNDELL: I had better read the preced-  
3 ing sentence. It refers to the membership of the  
4 Toronto Board of Trade and goes on to say: "These  
5 firms, in common with all other shippers and recei-  
6 vers of freight traffic, are vitally interested in  
7 the maintenance and development of a transportation  
8 system that will ensure adequate service at reason-  
9 able rates free from unjust discrimination and/or  
10 unfair preference."

11 Does that mean the Board is opposed to any  
12 restriction in the coasting trade?

13 MR. NOSEWORTHY: Not any restriction.  
14 Naturally for free enterprise we would like the com-  
15 petitive position to remain.

16 MR. MUNDELL: Q. Supposing it is estab-  
17 lished, and I think it is admitted before the Com-  
18 mission, that restriction would probably result in  
19 some increase in cost and it would certainly result  
20 in a diminished number of competitors, is the Board  
21 opposed to that, if those were the facts?

22 MR. NOSEWORTHY: Well, the Board would be  
23 opposed to any situation which would increase  
24 transportation costs regardless from what sources.

25 MR. MUNDELL: Q. What is the position of  
26 the Board in relation to shipbuilding and Canad-  
27 ian ship operators if it were established those  
28 would go to the wall?

29 MR. NOSEWORTHY: I am sorry, I cannot  
30







1 answer that question, sir, because the matter has  
2 never been considered by our Board. As a trade  
3 organization we are concerned primarily with the  
4 development of trade in relation to Metropolitan  
5 Toronto.

6 MR. MUNDELL: Q. Would it be fair to say  
7 you would leave the problems of the shipbuilders  
8 and ship operators for them to deal with before the  
9 Board?

10 MR. NOSEWORTHY: They would know their own  
11 position much better than an organization like ours.  
12 I think they would be far more competent to give  
13 that.

14 MR. MUNDELL: Q. Supposing their interests  
15 and yours conflict?

16 MR. NOSEWORTHY: I don't see how it can.

17 MR. MUNDELL: Q. They say if we do not have  
18 restriction, they both say "we will go to the wall.  
19 We will be out-competed by foreign operators and  
20 foreign builders. We admit restriction will probably  
21 increase costs. I don't think we can gainsay it  
22 will increase competition". Now, does your Board  
23 take a position on the question?

24 MR. NOSEWORTHY: No, sir, we don't think  
25 that. We have never considered it.

26 THE CHAIRMAN: Q. I suggest to you you  
27 would have had to consider it having submitted  
28 the submission you have, because you say you are  
29 vitally interested in the maintenance and develop-  
30





1 ment of a transportation system that will ensure  
2 adequate service at reasonable rates. In your  
3 presentation today you referred only to the question  
4 of rates and not the question of adequate service.  
5 Have you considered whether or not you will get ade-  
6 quate service in the Port of Toronto if the Canadian  
7 shipper is driven out of business, as he alleges he  
8 will be, by United Kingdom competition?

9 MR. NOSEWORTHY: I hesitate to answer that  
10 question, sir. As I say, these problems were not  
11 considered by our Board. Naturally I have no  
12 authority to comment on that.

13 MR. MUNDELL: Q. As Traffic Manager,  
14 would you have authority to give your view as to  
15 whether or not such restriction would increase the  
16 cost of transportation?

17 MR. NOSEWORTHY: I think it would follow that  
18 if competition was restricted, an increase in trans-  
19 portation costs would almost be inevitable.

20 MR. MUNDELL: Q. Has your organization  
21 made any statistical study or analysis of the effect  
22 that might develop?

23 MR. NOSEWORTHY: No, sir, we have not.

24 MR. MUNDELL: Q. I was wondering if  
25 you had made any statistical or other analysis of  
26 the results you might expect on rates as a result  
27 of the Seaway if the present situation remained?

28 MR. NOSEWORTHY: No, we have not made any  
29 study of that problem.  
30







1 MR. MUNDELL: I think that is all I have,  
2 Mr. Chairman.

3 MR. GERITY: Mr. Chairman, with your per-  
4 mission I would like to ask just one question.

5 Q. I have read your brief, Mr. Noseworthy.  
6 I represent some of the Great Lakes carriers. Do  
7 you actually take any position at all on the question  
8 before this Commission?

9 MR. NOSEWORTHY: Well ---

10 MR. GERITY: Q. I fail to discern it in  
11 your brief.

12 MR. NOSEWORTHY: As a trade organization, Mr.  
13 Gerity, we are concerned, of course, that our members  
14 here should enjoy the lowest-cost transportation  
15 available and we feel if competition -- as long as  
16 there is a competitive situation on the Great Lakes  
17 we should continue to enjoy low-cost water transpor-  
18 tation.

19 MR. GERITY: Q. Do you not think you have  
20 a competitive situation on the Great Lakes now?

21 MR. NOSEWORTHY: We have, yes.

22 MR. GERITY: Q. Do you know whether  
23 other ships can enter into the package freight  
24 trade on the Great Lakes without some form of  
25 Government license?

26 MR. NOSEWORTHY: No, sir, I do not.

27 MR. GERITY: Thank you, sir.

28 THE CHAIRMAN: Thank you, sir.  
29

30 (Page 4597 follows)





1 MR. GERIN-LAJOIE: The next submission is  
2 that of Canadian Shipping and Marine Engineering  
3 News. Mr. Eric R. Axelson, editor of the  
4 publication, is presenting the brief on behalf  
5 of the publication.

6 THE CHAIRMAN: Yes, Mr. Axelson.

7  
8 SUBMISSION OF CANADIAN SHIPPING AND MARINE  
9 ENGINEERING NEWS

10 ---Mr. E.R. Axelson appearing.

11 MR. AXELSON: Mr. Chairman and Commissioners,  
12 I have prepared a statement before the Commission  
13 which I should like to read.

14 An editor is accustomed to present his  
15 publication's views on a subject in its editorial  
16 columns, rather than through the submission of  
17 formal briefs. It would therefore perhaps be  
18 useful at the outset of my remarks to explain  
19 briefly why Canadian Shipping and Marine Engineering  
20 News has made a formal presentation to this  
21 Commission.

22 Our primary concern was that the issues which  
23 were to be examined by the Commission were of  
24 utmost importance not only to the marine  
25 industries but to the whole nation. To deal  
26 with these issues solely in the columns of a lone  
27 business publication, we felt, would not attract  
28 the wide public attention the problem deserves.  
29 The management and editors of my publication  
30 hold strong convictions on certain matters







1 concerning Canada's marine industries, and we felt  
2 that the opinions we have arrived at after most  
3 careful consideration of all points of view should  
4 be made part of the record of the Commission's  
5 proceedings.

6 Our publication is but one of some  
7 thirty similar business papers published by  
8 the Maclean-Hunter Publishing Co. Ever since its  
9 inception 69 years ago, this company has con-  
10 sistently approached national problems from a  
11 national point of view. In political, business  
12 and cultural matters, the guiding light in  
13 deciding editorial policies, both individually  
14 and collectively, has been whether or not any  
15 certain line of action would be beneficial to this  
16 country, not only to special areas or groups. It  
17 is from that standpoint that our publication now  
18 regards the various matters before this Commission.

19 We recognize that our primary task as a  
20 business publication devoted to the marine field  
21 is to be of service to the shipbuilding and  
22 shipping industries, in the many different ways  
23 in which that can be accomplished.

24 But - we should like to emphasize that we  
25 have never suggested that the interests of any  
26 industry should take precedence over those of the  
27 nation as a whole. We have never advocated  
28 special consideration - such as, for example,  
29 federal subsidies - for any business under-  
30





1 taking, including shipbuilding and shipping  
2 operations, no matter how difficult its economics.  
3 It is our contention with regard to the Canadian  
4 marine industries that other considerations enter  
5 into the picture, and that those considerations  
6 are of a nature to demand far more attention than  
7 those of mere dollars and cents.

8         Yet another reason for our brief was this:  
9 it was clear that the enquiry would be of a highly  
10 controversial character. It was equally evident  
11 that many of the interests submitting opinions  
12 would be primarily concerned with those aspects  
13 of the investigation which concerned themselves  
14 most intimately, and that in almost every instance  
15 a superficially plausible case could be made for  
16 the different appellants. In the opinion of the  
17 management and editors of our publication, the  
18 degree of self-interest reflected in the various  
19 submissions would make it difficult to form a  
20 valid basis from which the Royal Commission could  
21 arrive at an opinion of its own. Also, if only  
22 economic effects were taken into consideration, it  
23 might be extremely difficult, if not impossible,  
24 to arrive at a fair and equitable solution at all.

25         It appeared to us that the main question  
26 would have to be regarded strictly against the  
27 background of Canada's national interests. It  
28 was in order to focus the attention of the  
29 Commission on that all-important, overriding  
30







1 consideration that our publication prepared its  
2 brief.

3 On those premises, then, it becomes  
4 necessary for us to make a further submission,  
5 namely, that the question before the Commission  
6 with specific reference to the coasting trade of  
7 Canada should not be decided on evidence which has  
8 regard only for the pro's and con's concerning  
9 restrictions. That problem must, in our opinion,  
10 be seen in its relationship to a much larger issue  
11 of which it is only a part, that is whether or  
12 not it is in the national interest to maintain  
13 in this country adequate facilities for shipbuild-  
14 ing and for water transportation in various forms.

15 You may say, Mr. Chairman, that that is  
16 not within the scope of the enquiry. We respect-  
17 fully submit, however, that the issue comes under  
18 that sentence in your terms of reference which  
19 mentions "relevant matters which may in the course  
20 of the enquiry arise or develop and which, in the  
21 opinion of the Commissioners, should be included  
22 within the scope of the enquiry".

23 We hope you will agree that the matter of  
24 the continued existence or, alternatively, the  
25 almost certain near-extinction of this country's  
26 marine industries has a most intimate relation-  
27 ship to the manner in which the coasting trade  
28 is dealt with.

29 It is plain enough that this enquiry would  
30





1 not have been held at all, had it not been for the  
2 presumed effects of the future coasting trade on  
3 the larger issue just mentioned. And while we  
4 realize that this Commission has not been charged  
5 with the task of making any recommendations whatever  
6 in that respect, we do again submit that it cannot  
7 reach a proper conclusion without first having  
8 formed an opinion on whether or not there are suf-  
9 ficient grounds for publicly supporting the  
10 marine industries in accordance with a national  
11 policy.  
12

13 We say this is so because if Canada is not  
14 to be concerned with whether or not it has  
15 shipyards and ships, then a judgment in the matter  
16 of the coasting trade should be easy to reach: it  
17 would then clearly be quite unnecessary and in  
18 fact rather foolish to make any changes in already  
19 existing regulations.

20 On the other hand, Mr. Chairman, if in the  
21 opinion of your Commission Canada should, for  
22 security or any other reasons, ensure that its  
23 marine industries do not become extinct, then  
24 all the ramifications of what happens along our  
25 coasts and in the Great Lakes take on entirely  
26 different values - and so do the various arguments  
27 proffered before the Commission.

28 This can perhaps be best appreciated if  
29 we look at the apparently controversial approach  
30 to this matter of restrictions by organizations







1 which are otherwise wholly inter-dependent, and  
2 which cannot exist separately.

3 The Canadian Shipbuilding & Ship Repairing  
4 Association says, in effect, that restricting  
5 the coasting trade is the only salvation. The  
6 Dominion Marine Association confines its opinions  
7 to the Great Lakes only; and the Canadian Ship-  
8 owners Association submits that restrictive  
9 legislation would be useless, if not actually  
10 damaging.

11 I suggest that such differing opinions  
12 relate to methods only and that with regard to  
13 adoption of a national policy in maritime matters  
14 and maintaining the marine industries all those  
15 appellants are firmly united.

16 We stated in our brief that the purely  
17 economic aspects of the enquiry might well be left  
18 to others, more competent to argue them. There  
19 are, however, some such aspects which I should  
20 like to mention.

21 Those who advocate maintenance of status  
22 quo in our coasting laws have affirmed that  
23 restrictions would inevitably lead to higher  
24 transportation costs which in their opinion would  
25 largely nullify many of the anticipated beneficial  
26 effects of the St. Lawrence Seaway. They base  
27 their contention on the fact that both capital  
28 and operating costs are so much higher for  
29 Canadian vessels than those obtaining elsewhere,  
30





1 and specifically for United Kingdom ships.

2 We find it difficult to believe that this  
3 would be so when only the coasting trade is  
4 considered. About  $7\frac{1}{2}$  per cent of the Canadian  
5 coasting trade is carried in ships of the cheaper  
6 U.K. registry, the rest in Canadian bottoms. Now,  
7 it is authoritatively said that completion of the  
8 Seaway will result in a noteworthy decline in  
9 cargo rates, and we fail to see where a general  
10 lowering of costs in nearly 93 per cent of the  
11 trade will effect an over-all increase. True, the  
12 freight rates might be even lower if there are no  
13 restrictions, but as we shall point out later, that  
14 is not necessarily so.

15 It should be remembered that the Canadian  
16 shipbuilding industry - as far as it has been  
17 permitted to do so - has proven itself eminently  
18 capable in designing and building vessels which  
19 in every respect except that of cost compare  
20 favourably with those of any other country.  
21 Having followed such Canadian developments very  
22 closely, we have no doubt that the specially  
23 designed Seaway ships we hear about from U.K.,  
24 Germany, Scandinavia, etc., will find their match,  
25 at least, in vessels designed, built and equipped  
26 here - IF, that is, Canadian shipyards are given  
27 a fair chance to compete, and IF shipowners here are  
28 left with an incentive to modernize and increase  
29 their present fleets. That chance, of course,  
30







1 can only come if they are given the protection and  
2 encouragement offered by restricting the coastal  
3 trade to Canadian ships.

4 It is conceded that ships can be built and  
5 shipping services obtained from sources outside  
6 Canada at a much lower cost than here. Were it  
7 only a matter of cost, then, we might suggest that  
8 Canadian requirements in those respects could be  
9 filled from several other sources at even smaller  
10 capital or operating outlays than in British yards  
11 or ships. At least partial evidence to this is  
12 the fact that British shipowners quite recently  
13 ordered new vessels from Germany.

14 If we are going to be consistent on this  
15 matter of cost and if the issue of Canadian coastal  
16 restrictions is to be one of monetary considerations  
17 only, we should regard it as only just and proper  
18 that the same principle be applied to all other  
19 Canadian industries. In several briefs reference  
20 has already been made to the motor car industry  
21 where, thanks to tariffs, the Canadian buyer pays  
22 about 25% more than he would without such tariffs.  
23 But there are others where tariffs have a direct  
24 bearing on the cost to the consumer infinitely  
25 greater than that which might - and this is not  
26 at all certain - be result of coastal restrictions.  
27 I need mention only the chemical, electrical and  
28 textile industries to convey to you, Mr. Chairman,  
29 adequate examples of the tariff protection. Would  
30





1 those who advocate maintaining the status quo in  
2 our coasting laws, on purely economic grounds,  
3 be prepared to advocate the removal of Canada's  
4 carefully built and intelligently planned tariff  
5 structure? Surely the principle is the same -  
6 the Canadian consumer would get many goods and  
7 services more cheaply if this were done, even  
8 though the price would be virtual destruction of  
9 our whole economy.

10 Other industries are not only protected by  
11 tariffs - they are also in many cases receiving  
12 subsidies which seem to be granted with none of  
13 the opposition and cries of "useless" spending  
14 of public monies which have been evoked by earlier  
15 suggestions that similar benefits - on a much  
16 smaller scale - should be granted the marine  
17 industries. The railways get some \$7 millions  
18 annually to reduce freight rates to the West -  
19 partly at the expense of the coasting fleet.  
20 The agricultural industry likewise, and we have  
21 never heard it claimed that we should stop growing  
22 wheat because the growers cannot compete in the  
23 world markets without federal help. The amounts  
24 of such assistance exceed by far what even the  
25 most optimistic is asking or hoping for with  
26 respect to shipbuilding and shipping. To name  
27 just one figure, agricultural price support from  
28 1946 to March 31st this year cost the Canadian  
29 taxpayers in excess of \$80,000,000.  
30







1           While on the question of costs, it is well  
2 to remember again that we have no guarantee whatever  
3 that the present difference between Canadian and  
4 British ships will remain in effect forever. Other  
5 factors, quite apart from the probability of higher  
6 wage demands from British crews serving in Canadian  
7 waters, could reduce or remove the differential.  
8 Although this does not seem likely since our own  
9 wages are advancing far more rapidly than those  
10 overseas and, in addition, are pretty closely tied  
11 to the wage structure in the U.S. But Shipping  
12 services are subject to the same laws of supply  
13 and demand as all other businesses. It is not  
14 too farfetched to visualize a situation where a  
15 good deal of our domestic shipping - service supply  
16 will have practically disappeared - as witness  
17 the current state of the Canadian-flag ocean fleet -  
18 and where increasing demands for shipping space  
19 can be met only by ships of other flags, at their  
20 own price.

21           It may appear that we are contradicting  
22 ourselves in saying that British wage costs may  
23 eventually come up to about the Canadian level, and  
24 at the same time expressing fears for the con-  
25 tinued existence of Canadian-flag ships.

26           However, Canadian shipyards and owners have  
27 no monopoly on special designs, and the construction-  
28 cost differential would still be a considerable  
29 item in deciding competitive freight rates.  
30





1           Therefore, while there is no doubt that U.K.  
2 ships COULD and SHOULD operate with lower rates,  
3 there is absolutely no guaranty that they WILL do so.  
4 For if the Canadian fleet is put out of existence,  
5 or even nearly so, other Commonwealth ships would  
6 have a much more complete monopoly than anything  
7 that could be established by a Canadian operator,  
8 for the simple reason that they would not be  
9 subject to Canadian controls with regard to either  
10 rates or services. And unless we have such control  
11 over water-borne transportation - both coastal and  
12 deep-sea - we are left to the mercies of ruthless  
13 competitors who would be under no obligation what-  
14 ever to provide services which are so vital to  
15 our national economy and security.

16           We have no doubt that British designers and  
17 builders can produce a ship, such as suggested by  
18 the Shipbuilding Conference, which would be  
19 suitable for service in the Lakes and, during the  
20 closed season here, on the seas as well. But if  
21 that were to materialize, the owners of such  
22 ships most decidedly would not let them run the  
23 risk of becoming icebound inside the St. Lawrence-  
24 Great Lakes basin.

25           By November 30th each year, Marine insurance  
26 rates go up automatically in that area, indicat-  
27 ing the average time of year when the danger of  
28 ice becomes acute. The necessary margin of  
29 safety would require the ships to leave the  
30





1     Lakes early enough to be beyond any possible ice  
2     barriers by that time. And at the other end of  
3     the season, it is a well-known fact that ships  
4     ply the Lakes long before any outside vessels can  
5     hope to get through the canals.

6             Thus - and I submit this is a most important  
7     point - there would quite possibly be as much as  
8     two to three weeks at either end of the season  
9     when shippers inside the ice barrier would have  
10    no water transportation available at all.

11            We submit that it is essential, in the  
12    interests of western grain producers as much as,  
13    if not more than, anybody else, that ships are  
14    available for the FULL duration of the season on  
15    inland waters. And we submit that this can ONLY  
16    be accomplished if there is Canadian control over  
17    the shipping services there.

18            Only a couple of months ago a U.K.  
19    publication said editorially that "ship-owners  
20    are not in business as philanthropic institutions"  
21    and while that, of course, applies equally well  
22    to Canadian firms, at least the latter would  
23    still be under the direct authority of our own  
24    legislative or other controlling bodies. Without  
25    Canadian ships in the Lakes, on the coasts and  
26    on the seas, we would be in the rather ridiculous  
27    situation where Canadian space requirements and  
28    rates would be estimated and set, respectively,  
29    by foreign firms whose natural interest is  
30







1 mainly to make profits.

2       Someone may wish to know if profit is not the  
3 purpose of Canadian business as well. Obviously,  
4 it is. But the profits and, more important, the  
5 services of a Canadian business can be regulated  
6 so as to meet requirements of national needs.  
7 Foreign firms, again, are under no obligation in  
8 that respect.

9       It is not long ago that coastal shipping  
10 services offered by U.K.-registered ships lowered  
11 their freight rates to meet those of a strictly  
12 Canadian competitor, and we may be forgiven for not  
13 subscribing unconditionally to the idea that an  
14 operator using vessels of other than Canadian  
15 registry will not exact every penny the trade will  
16 bear. We stress again, Canada would put itself in  
17 a dangerous, difficult and costly position if it  
18 were to become entirely - or even to a large degree -  
19 dependent on other countries with regard to this  
20 essential public service of water transportation,  
21 and there is no one to say that such would  
22 not be one result of the Seaway if preventive  
23 measures are not taken at this time.

24       We have touched thus briefly upon the  
25 economic aspects only to show that in that respect,  
26 as well as in many others, the interest in these  
27 proceedings of many appellants is governed more  
28 by concern for their own welfare than by any  
29 anxiety for the nation as a whole. It is not  
30





1 surprising, nor do we think it distrubing that  
2 this is so; self-interest is a powerful motivating  
3 factor in any form of private enterprise. We  
4 suggest only that self-interest should be  
5 recognized for what it is, and we submit that the  
6 possible difficulties for a relative few should  
7 be weighed against the certain benefits for  
8 the many.

9 That brings us to the reasons why, in our  
10 opinion, the Canadian coasting trade should be  
11 restricted to Canadian-built ships of Canadian  
12 ownership and registry.

13 Not even those most sincerely opposed to  
14 such a step have, as far as we can see, denied  
15 the necessity for having shipbuilding facilities  
16 in Canada. That necessity, as we all know so  
17 well, is no mere theory. Quite recent history  
18 has emphasized it and the lessons have been duly  
19 and repeatedly acknowledged by Government, by the  
20 armed forces - more particularly the navy- and  
21 by industrial leaders in many fields. We claim  
22 it has been clearly established that Canadian  
23 shipyards and Canadian-controlled shipping space  
24 are a must. But those same shipyards are now  
25 faced with difficulties which, in the unanimous  
26 opinion of all concerned with them and about them,  
27 cannot be overcome without some form of  
28 supporting measures which can only be undertaken  
29 by the Federal Government. What measures are  
30







1 possible?

2 Two effective ways are open. One is to  
3 maintain the needed number of shipyards at the  
4 required level of employment by outright subsidy -  
5 and we are certain this should be regarded as a  
6 last resort. Direct subsidies are a poor substitute  
7 for sound economic policies - particularly when  
8 other means to gain the same results are so  
9 readily at hand.

10 There is little, if any, doubt that subsidies  
11 too will be needed with the adoption of an effective  
12 national maritime policy - and without such a  
13 policy it is, as we have submitted earlier, rather  
14 useless to consider these matters. But even  
15 subsidization need not become such a terrible  
16 drain on our national economy as is sometimes  
17 predicted. Other maritime countries have found  
18 several different ways of supporting both ship-  
19 building and shipping which do not involve  
20 excessive direct subsidies, and there should  
21 obviously be no reason why similar means could not  
22 be adopted here.

23 Some of those ways have been independently  
24 tried in Canada but they have in no instance had  
25 the desired long-range effect because they have  
26 been isolated, short-term measures having no  
27 regard for the over-all picture.

28 The Canadian Shipbuilding and Ship Repair-  
29 ing Association has for many years expressed the  
30





1 opinion that restriction of coastal trading would  
2 in large part accomplish the retention of sufficient  
3 shipbuilding facilities to make possible rapid  
4 expansion to wartime production. As we have just  
5 said, we do not believe that such restriction by  
6 itself would do the whole job; in our opinion,  
7 there is no doubt that supplementary aids in some  
8 form must also be provided. Both such additional  
9 aid, we submit, could conceivably be rendered in a  
10 form which would at the same time materially con-  
11 tribute to the building up and maintenance of a  
12 deep-sea merchant fleet of a size commensurate  
13 with preparedness needs.

14 In our brief, we mentioned that there is a  
15 good deal of misunderstanding regarding the  
16 position of the shipyards with respect to national  
17 defence. Perhaps no better illustration of that  
18 can be given<sup>than</sup> by quoting a paragraph from another  
19 brief. It reads:

20 "One of the main arguments of those  
21 "seeking the barring of cabotage in Canada  
22 "is that it is required in the national  
23 "defence. Aside from the unsupported and  
24 "dubious thesis that the implementation  
25 "of such a policy, standing alone, would  
26 "result in an increase in Canada's  
27 "coastal shipping, it is evidently over-  
28 "looked that Canada has subscribed to the  
29 "North Atlantic Treaty Organization plan  
30





1 "for the pooling of all merchant ships flying  
2 "the flag of member nations. The important  
3 "feature of the plan is that the essential  
4 "shipping requirements of all Allied nations  
5 "will, as far as possible, be protected by  
6 "the allocation of ships from the pool for  
7 "necessary voyages."

8 That statement, of course, completely over-  
9 looks the fact that before ships are allocated,  
10 they have to be built. We submit, in view of the  
11 almost tragic historical lessons of two world  
12 wars, that any future emergency will require that  
13 North American shipyards, including those of  
14 Canada, should be ready to begin building ships  
15 almost before the sound of the opening shots has  
16 died away. There is not the slightest doubt that  
17 at the present time Canadian shipyards are in no  
18 position to perform that task immediately, nor is  
19 there any doubt that with almost every day that  
20 passes now, their ability to do so is deteriorating.  
21 In reply to questions to all major shipyards put  
22 by our publication about 18 months ago, the  
23 consensus was that even in the then fairly  
24 favourable circumstances with some 20,000 persons  
25 already at work, it would require from six to 12  
26 months before full capacity production could be  
27 realized. And that, gentlemen, could be anywhere  
28 from six months to a year too late.

29  
30 To return for a moment to the full







1 situation, it is a fact that in the last great war  
2 Canada could not even get a hospital ship to bring  
3 home its wounded, despite similar pool arrange-  
4 ments which were then in effect. We finally did  
5 get an old passenger vessel and this ship had to  
6 be converted in a Canadian shipyard which took six  
7 months to do. In our opinion, the idea that Canada  
8 will receive a sufficient share of ships from any  
9 such pool is completely unfounded and unrealistic.

10  
11 It has been suggested by some of those  
12 opposing the idea of restrictions that the cost  
13 of maintaining shipyards in the interests of  
14 national security should be borne by the nation  
15 as a whole and not, as a result of restrictions,  
16 by specific parts of the country or limited groups  
17 of its citizens.

18 We submit that it has not yet been shown  
19 that the restrictions would work such local hardship.  
20 But if, out of the wealth of economic calculations  
21 now in the hands of the Commission, such an effect  
22 can be substantiated, we further submit that  
23 limited exemptions would be a better way to  
24 equalize the burden than a refusal to recommend  
25 the adoption of restrictions in principle.

26 With regard to the possible limited  
27 exemptions we are thinking mainly of Newfoundland.  
28 That island province is, of course, because of  
29 its geographical location, much more sensitive  
30 to conditions of water transportation than any





1 other. And while we are not familiar with the  
2 details of the terms of Union, it appears that  
3 certain shipping service conditions were stipulated  
4 which might be affected by a change in the present  
5 coasting laws. If so, it is, we think, only just  
6 that those special circumstances should be taken  
7 into consideration. However, we cannot avoid  
8 noting that in a good deal of the representations  
9 made by Newfoundland interests there were  
10 references made to export trade, with both U.K.  
11 and U.S., which donot seem to have any bearing  
12 on this investigation.

13 Our brief contends that the matters before  
14 this Commission should be decided entirely on the  
15 evidence presented by Canadian interests and that  
16 no weight should be given to opinions offered by  
17 anyone outside our own country. Before this  
18 enquiry was long under way, it was intimated that  
19 "other governments" were interested in the out-  
20 come - and so may well be the case. However,  
21 may we refer the Commission to the fact that  
22 among all the briefs there is not a single one  
23 submitted in the name of any other government or  
24 government agency. We submit that this is clear  
25 evidence that no other government would presume  
26 to partake in a discussion which by all acknowledged  
27 norms is Canada's business alone. In these days  
28 of highly developed communications between one  
29 part of the world and all others, it is obviously  
30







1 impossible for any nation to protect its own  
2 immediate interests without legislating or other-  
3 wise acting to the partial detriment of others.  
4 There is fairly general acceptance of the fact  
5 that so called flag discrimination is more or  
6 less of an evil, and rightly so. But we submit  
7 it is grossly unfair to say that Canada would be  
8 practising flag discrimination in taking steps  
9 to protect its strictly domestic trade from the  
10 effects, among other things, of building billion-  
11 dollar international transportation facilities  
12 such as the St. Lawrence Seaway. We think it  
13 would be especially unfair since those same  
14 facilities will in any case benefit other nations  
15 as much as, if not occasionally more than, our-  
16 selves. Even more specifically, we think it is  
17 unfair to accuse us of flag discrimination when  
18 we would protect our shipyards and ships not to  
19 feather the nests of so called special interests  
20 but primarily in order to be prepared to protect  
21 our own freedom and that of the very same nations  
22 which will use our new waterways. At least, that  
23 is the basis on which our own submissions are  
24 made.  
25

26 With reference to the Great Lakes there is  
27 an added reason why the whole question of  
28 restrictions should be adjudged a purely domestic  
29 matter, as far as this enquiry is concerned. The  
30 great Lakes are NOT international waters in the





1 same sense that the seven seas are international.  
2 Every square foot of the Great Lakes is either  
3 Canadian or United States territory and it is  
4 difficult to understand how any other nations, or  
5 private foreign interests, could possibly claim a  
6 voice in determining what should take place there,  
7 in shipping or any other matters.

8 We should make clear here that we do not  
9 necessarily agree that trading between Canadian  
10 and American ports should also be restricted to  
11 ships of those two countries. The Lakes, through  
12 common usage throughout a long period of time  
13 and especially during the last few years, have no  
14 doubt come to be regarded as international waters  
15 overseas, and we do not believe that much, if  
16 anything, could be gained by imposing further  
17 restrictions beyond those which already exist  
18 on the one side of the border and which we sincerely  
19 hope will be duplicated on this side. International  
20 trade in any normal form, should certainly be left  
21 open to international competition. If the coasting  
22 trade of Canada is restricted, the influx of other  
23 nations' ships would likely be kept to the number  
24 required to handle only overseas trade, and  
25 without making any positive statement on this,  
26 we do believe that transboundary trade would be  
27 automatically regulated.

28  
29 I should like to quote two eminent  
30 authorities on international shipping matters,





1 in support of our stand and of that taken by those  
2 in favour of restricting Canadian coasting trade  
3 to Canadian ships. First, as to the definition of  
4 "flag discrimination", which we dealt with in our  
5 brief:

6 Sir John Nicholson, a well-known British  
7 shipping executive and representative of the  
8 International Chamber of Shipping, at the 15th  
9 Congress of the International Chamber of Commerce  
10 in Tokyo on May 18th this year, said that by flag  
11 discrimination was meant "every act of Government  
12 whereby any part of the world's trade is in some  
13 way deliberately reserved to, or influenced to move  
14 in, ships of certain specified flags, thus  
15 restricting the freedom of shipping of all flags  
16 to participate in international trade" - and we  
17 submit that the reference to INTERNATIONAL is  
18 ample to show that flag discrimination in the evil  
19 sense cannot be practised in domestic, that is  
20 coasting trade.

21 We may say also that wherever and whenever  
22 the expression "flag discrimination" has been  
23 used - except possibly in newspaper reports - it  
24 has invariably been connected with the idea of  
25 international trade until this enquiry came along.

26 Then, last year, Lord Waverley, Chairman  
27 of the Port of London Authority and former British  
28 Chancellor of the Exchequer, during a visit to  
29 Canada issued a warning that "other Commonwealth  
30







1 ships should leave Canada's coastal trade alone  
2 and be merely interested in picking up and dumping  
3 foreign cargoes in this country".

4 "The entry of other Commonwealth ships into  
5 the Canadian coastal trade", he said, "would be a  
6 very risky thing".

7 With this we are in perfect agreement because  
8 while it might lead temporarily to slightly lower  
9 costs of transporting goods by water along the  
10 coasts and in the Great Lakes, it would almost  
11 certainly, over a longer period, result in the  
12 gradual disappearance of both Canadian shipyards  
13 and Canadian Ships. As you are well aware, Mr.  
14 Chairman and Commissioners, that has happened  
15 before and we earnestly submit it should not be  
16 permitted to happen again when, as now is the  
17 case, a simple, practical, inexpensive and  
18 perfectly justifiable way is at hand to prevent it  
19 from happening again.

20 Before I conclude might I be permitted to  
21 make a few observations on the opinions which  
22 have been submitted to the Commission.

23 It might be noteworthy that some 30-odd  
24 briefs have been tendered which specifically  
25 oppose restrictions, while more than 50 are for  
26 them. We do not suggest that there is any par-  
27 ticular significance in those numbers. This is  
28 not an election and briefs are not intended to  
29 be counted like votes, although perhaps some  
30





1 consideration might be given this numerical  
2 superiority. In any case, we do suggest that while  
3 those in favour of restrictions are fairly  
4 unanimous with regard to the reasons for their  
5 stand - which are few and well defined - the  
6 opponents in many cases appear to be on less  
7 certain ground. Some of them appear to have no  
8 real appreciation of the vital import of Canadian  
9 water transportation facilities which far too  
10 commonly are regarded as a costly luxury, or, at  
11 best, something which only a war can justify.  
12 It is regrettable, of course, that such an attitude  
13 is not unknown among entirely too many of those  
14 who represent us in Ottawa. The influence of  
15 sea power on history may be recognized where  
16 other countries are concerned, but in Canada,  
17 with some 50,000 miles of tidewater shorelines,  
18 and one third of the national income derived  
19 from external business activities, we are seemingly  
20 not concerned with it at all.

21 The explanation may be that our country  
22 is sparsely populated over a tremendous expanse  
23 of land where it is naturally difficult to remain  
24 alive to the import of sea power - except in  
25 emergencies. This general unawareness of the  
26 sea is nevertheless still a weakness and if  
27 this inquiry to some extent has served to remove  
28 it, we suggest that it has been worth while on  
29 that count alone.  
30







1 Six opposing briefs are submitted by U.K.  
2 organizations and interests which we have already  
3 submitted should not be considered in arriving  
4 at a decision. It is extremely doubtful that  
5 those briefs were prompted by a primary concern  
6 for the welfare of Canada and Canadians.

7 Five others deal exclusively with the  
8 possible difficulties of the appellants them-  
9 selves and although we have previously agreed  
10 that self-interest is normal, we do not think  
11 it should be exercised to the total exclusion  
12 of other considerations. It is interesting  
13 to note the implication in one brief which says  
14 it would be "extremely unfair" to change shipping  
15 regulations now - because it would adversely  
16 affect certain agreements into which the  
17 appellant had already entered. As a matter of  
18 fact, the same argument is offered in somewhat  
19 similar forms in other briefs and if it were  
20 to be taken seriously, it would follow that no laws  
21 could be changed, EVER, except by unanimous  
22 consent. We suggest that all changes in laws  
23 affecting our economic life always affect some  
24 person or firms adversely, even though the end  
25 result is of benefit to the country at large.  
26 That is part of the normal risks of business and  
27 while the argument may be cogent to each individual  
28 appellant, we suggest it is not valid at all in a  
29 matter of national concern.

30 There are also many inconsistencies in





1 several briefs.

2 Thus, one or two assert quite correctly  
3 that low rates without continuity of service  
4 would be detrimental - yet they oppose restrictions  
5 without which we in Canada would almost certainly  
6 lose control over the water transportation service  
7 on which the appellants are so dependent.

8 It is also stated that "a vigorous Lake  
9 fleet is the best assurance of continuous service" -  
10 at the same time advocating the kind of so-called  
11 "free" competition which would make it almost  
12 impossible to invigorate our own Lake services,  
13 and I might interject here that they really  
14 need invigorating.

15 COMMISSIONER WICKWIRE: Is this part of  
16 your brief or is it really argument?

17 THE CHAIRMAN: There will be a hearing of  
18 this Commission in Ottawa for the purpose of  
19 argument. At that time one would deem it usual  
20 to comment on argument set out in other briefs.  
21 At the present time this Commission is seeking  
22 the submission of the views of the various  
23 interests, and if this organization which you  
24 represent can be considered one which could have  
25 views on the subject we will hear them, but we  
26 are not concerned at present with hearing a  
27 discourse on what is set out in other briefs,  
28 and I suggest that we are quite able to read  
29 them ourselves.  
30





1 MR. AXELSON: Well, I was in doubt as to  
2 whether it would be proper for me to make these  
3 comments at this time.

4 THE CHAIRMAN: Your doubt has been relieved  
5 now.

6 MR. AXELSON: I will conclude very quickly,  
7 then, and say that restrictions are quite obviously  
8 the only practical means whereby our coasting  
9 trade can be freed from low-cost competition, and  
10 if that is done we would have private enterprise  
11 contributing directly and heavily to national  
12 security, and in a lesser but still appreciable  
13 degree to national economic independence. It may  
14 be true that from a purely economic point of view,  
15 there are certain factors which speak against  
16 restrictions, but taking all the ramifications  
17 into consideration, we respectfully submit that  
18 there is only one possible logical solution of the  
19 problem now before this Commission, that of adopting  
20 restrictions of the coasting and inland trade in  
21 principle. But even before that is done, Canada  
22 needs above all to promulgate a national policy  
23 on all maritime matters, because only within the  
24 framework of such a policy can details -- if I  
25 may call them so -- such as restrictions, subsidies,  
26 controls, etc., become practical and effective.

27 THE CHAIRMAN: Thank you.

28 MR. GERIN-LAJOIE: Would it be convenient  
29 to have a recess now?  
30







1 THE CHAIRMAN: Yes.

2  
3 ---A short recess.

4  
5  
6 (Page 4627 follows)





Take C  
Oct. 31  
P.P.

1 THE CHAIRMAN: Proceed, Mr. Gerin-Lajoie.

2 MR. GERIN-LAJOIE: Mr. Chairman, I have a  
3 few questions for Mr. Axelson.

4 Q. Mr. Axelson, will you first tell the  
5 Commission if the McLean-Hunter Publishing Company owns  
6 actually the publication you represent today?

7 A. Yes, it does.

8 Q. May I ask what is the circulation of  
9 your publication?

10 A. We go to all ship builders, marine  
11 engineers, naval architects and ship owning companies  
12 primarily in this country. Our total circulation in  
13 the marine field is an average of 2,100.

14 Q. Do you publish monthly?

15 A. Monthly, yes.

16 Q. Now, in the presentation you have made  
17 you have shown the economic importance of having a  
18 Canadian coastal fleet, and you have also made some  
19 some suggestions or recommendations as to the means  
20 to be employed to avoid letting the Canadian coastal  
21 fleet go to the wall. There is a question mark in  
22 my mind: is the Canadian coastal fleet going to go  
23 to the wall if the status quo remains? Have you had  
24 in mind to answer that question or do you rely on  
25 other submissions to do that?

26 A. Well, Mr. Chairman, I think we could  
27 say that we rely on our own business judgment to  
28 some extent when we say that will be the case. If  
29 the coastal trade remains open and with the Seaway  
30







1 there will be quite likely an additional influx of  
2 especially United Kingdom registered ships, because  
3 it is well known that ships go where there is a market  
4 and every indication is that there will be a vastly  
5 increased market for ships in the Great Lakes area  
6 because of the increased accessibility.

7 THE CHAIRMAN: Firstly, what are they going to  
8 do in the Great Lakes, what trade are they going to  
9 carry?

10 A. Well, naturally, Mr. Chairman, if the  
11 Lakes are accessible to larger, more efficient ships,  
12 than those we have at the present, which are far  
13 from being that, then it would obviously be attractive  
14 to anyone that operates ships.

15 Q. To do what?

16 A. To come into the Lakes and operate.

17 Q. But you don't operate for pleasure.  
18 What are you going to carry?

19 A. Well, the same thing we are carrying  
20 now, sir.

21 Q. All right, let us break it down. Are  
22 they going to be inter-competing as package carriers,  
23 package freight trade?

24 A. I would suggest that they might be  
25 competing in all areas, both as bulk carriers and  
26 package freights.

27 Q. When they compete as bulk carriers,  
28 what are they going to compete with, what are they  
29 going to use?  
30





1           A.       Well, sir, one of the briefs submitted  
2 by the Ship Building Conference in the United Kingdom  
3 stated that they were possibly more competent than  
4 anybody else to build ships that would be suitable  
5 for our special trade, lakes trades, and coastal trades,  
6 and I do not think that anybody here would dispute  
7 that fact, that they are as competent as anybody  
8 else and that their lower costs, with their lower  
9 capital costs and their lower labour costs it would  
10 obviously be a competition which Canadian business  
11 could not withstand.

12           MR. GERIN-LAJOIE: Q. Do you assume that that  
13 traffic would be conducted by larger ships which will  
14 stay in the Great Lakes area or which will take the  
15 ocean in the winter time?

16           A.       I don't think I am competent to express  
17 an opinion on that. It is a decision for the ship  
18 operator to make. If he finds it most advantageous  
19 to build a dual purpose ship that is what he will do  
20 of course, I could not express an opinion on that.

21           Q.       What is your assumption to express the  
22 view that the Canadian coastal fleet would be brought  
23 to the wall?

24           A.       Well, I base that assumption on the  
25 probability of vastly increased competition from the  
26 ships which cost less and which are operated --

27           Q.       Do you mean that the present U.K.  
28 registered ships plying the Atlantic Ocean will come into  
29 the St. Lawrence River and the Great Lakes and will  
30





1 out-compete the Great Lakes vessels, is this your  
2 assumption?

3 A. No, sir, I don't mean that. I mean,  
4 as I have already said, when the Lakes become  
5 accessible to larger ships which can be more efficient  
6 than the ones we have now.

7 Q. By larger, do you mean tonnage?

8 A. Larger tonnage.

9 COMMISSIONER WICKWIRE: Larger than the upper  
10 lakers, larger tonnage than the upper lakers carry?

11 A. I am not talking specifically of the  
12 bulk carriers because I don't think that the largest  
13 ships can come into the lakes.

14 MR. GERIN-LAJOIE: Larger than what?

15 A. Larger than the package freighters. If  
16 I may say so, we have now in the upper lakes 68 ships  
17 according to the American Commission's latest figures,  
18 of which 39 I believe were built in the United States  
19 and now have an average age of 52 years.

20 Q. 68 Canadian registered?

21 A. 68 Canadian registered ships in the  
22 upper lakes trade, but the average age of more than  
23 half of them is 52 years, and the average age of all  
24 of them is about 38 years. I think it is reasonable  
25 to assume that those ships will have to be replaced  
26 in the near future.

27 Q. You are talking perhaps of the ship  
28 building problem, but we are talking for the moment  
29 of the ship operating problem, and I am asking you,  
30







1 what is your assumption to believe that the Canadian  
2 coastal fleet on the Great Lakes particularly will be  
3 out-competed by the U.K. fleet, and I am asking this  
4 specific question: what type of U.K. registered  
5 ships do you expect to come and out-compete the  
6 Canadian fleet? You said larger than what we have at  
7 present. Well, larger than what, than the ocean  
8 vessels coming through the St. Lawrence Seaway?

9 A. I think that all vessels coming into  
10 the upper lakes will be larger in the future than  
11 they are now because the access to the lakes will  
12 permit larger ships.

13 Q. Well, how large will they be, the  
14 maximum? Isn't it nine or ten thousand tons?

15 A. That is a technical question. That is  
16 more for a naval architect and marine engineer  
17 perhaps to answer because they will quite likely  
18 build the most economical ship for the particular  
19 trade in which the ship is engaged.

20 Q. Are you in a position to say what  
21 competition from U.K. registered ships you envisage  
22 for the Canadian fleet or not? Do you rely on what  
23 you have read and heard or do you have any figures  
24 of your own?

25 A. Well, sir, I have been the editor of  
26 the publication for some eight years now. In that  
27 time I have naturally tried to obtain reliable  
28 information from all sources. I have been closely  
29 connected obviously with the Canadian ship building  
30





1 and shipping industry, and when I have had the  
2 opportunity I have discussed those things with  
3 representatives from other countries, particularly,  
4 I might say, from the United Kingdom and Germany,  
5 such as Trade Commissioners and others particularly  
6 interested in this aspect. From the information that  
7 I have received I have formed the opinion which I  
8 think is supported by a good deal of other people who  
9 have already submitted briefs, that the United Kingdom  
10 ship owners will seek an increased trade in the lakes  
11 when it becomes practicable to do so.

12 COMMISSIONER WICKWIRE: Will that be a foreign  
13 trade or will it be coastal trade?

14 A. I think it will be both, sir.

15 Q. You don't fear for the upper laker?

16 A. I don't think at the present time that  
17 the new, larger bulk carriers that we now have would  
18 have too much to fear for some time.

19 Q. Then what about the licensing of the  
20 package carriers under the Transport Act? Will they  
21 all obtain licenses? Will it be convenient and  
22 necessary for them all to have a license?

23 A. Well, sir, I don't know. That is one  
24 of the reasons why I suggest in my statement made  
25 today to the Commission that actually we should not  
26 do anything about any of these matters until this  
27 country has decided upon a national policy in all  
28 matters concerning the marine industries in its  
29 ship building and shipping operations.  
30







1 THE CHAIRMAN: So far as the licensing of  
2 package freighters is concerned now that surely has  
3 a policy and it is set out in the statute. Now,  
4 Mr. Wickwire has asked you, will these United Kingdom  
5 competitors whom you fear in the package trade be  
6 licensed, will they be able, in short, to comply with  
7 the terms of the license, proving the necessity or  
8 convenience of their proposed routing?

9 COMMISSIONER WICKWIRE: And public convenience  
10 and necessity.

11 A. I don't know whether they will be able  
12 to prove that public convenience and necessity.

13 THE CHAIRMAN: Well then, the competition, so  
14 far as their competitor factor is concerned, you admit  
15 you do not know about. You say you do not think that  
16 the big Great Lakers stand in any fear of competition?

17 A. At the present time, sir.

18 Q. Well, does that mean that you wish to  
19 perpetuate an inefficient vehicle for carrying it,  
20 the other lakers, the ones which are old and  
21 inefficient and in operation. Don't you think,  
22 whether there should be restriction or not, that they  
23 should be replaced by modern ships?

24 A. I think, sir, that whether or not  
25 there are restrictions, the old ships that we now have  
26 to use in the lakes will have to be replaced.

27 Q. That is the opinion that has been  
28 generally expressed throughout to the Commission.  
29 I thought you would have to agree with that. Now,  
30





1  
2 if they are going to be replaced by Great Lakers,  
3 the McLagans, Leaches, the Norrises, in the present  
4 fleet, you have also said that you do not think they  
5 need fear competition?

6 A. Yes, sir, but the ship of the type of  
7 the McLagan, the Scott-Misener and so on are not  
8 suitable for a good deal of the trade that will have  
9 to be conducted in the lakes.

10 Q. What aren't they suitable for?

11 A. They are not suitable for package trade.

12 Q. We have dealt definitely with package  
13 freighters. Package freighters in the Great Lakes  
14 are licensed and you say you do not know whether the  
15 United Kingdom applicants would succeed in getting  
16 licenses or not, so then I turn to bulk freighters  
17 and you have just finished telling Mr. Wickwire that  
18 the bulk freighters are the large type and need not  
19 fear competition. I put it to you that whether they  
20 are to be restricted or not, all bulk freighters will  
21 have to be of that large type because the small ones  
22 could not compete with the big ones, leaving out any  
23 element of foreign competition. The 5,000 ton vessel  
24 simply cannot compete with the McLagan and the Misener.

25 A. Yes, sir, I gree with you there but  
26 when I said that, as you have also said, sir, that  
27 the greater number of the upper lakers will have to  
28 be replaced, the question of course arises whether  
29 a Canadian ship owner, ship operator, will risk the  
30 money that it costs to replace them if the trade is





1 still open, because he does not know, he cannot know  
2 that in the future maybe he will have competition  
3 from the other side.

4 Q. What kind of competition is he going to  
5 have? You are back to what I asked you first. What  
6 are they going to compete with?

7 A. I qualified my reply as to the competition  
8 for the Great Lakers. I said at the present time, sir.

9 Q. I am looking into the future. Certainly  
10 we are going to go to the completion of the Seaway  
11 because all the discussions are premised on that basis.

12 A. Yes.

13 Q. What are they going to compete on?  
14 What competition are these Great Lakers going to fear  
15 even in the future?

16 A. Well, I think it is quite possible that  
17 United Kingdom shipowners will design and build a  
18 bulk carrier that will take the same business as our  
19 own do now.

20 Q. Is that going to be an upper laker built  
21 in the United Kingdom, is that what it is?

22 A. Well, it might. I think that once the  
23 Seaway is built we will not be able to distinguish  
24 between the upper laker and the other ships because  
25 they will all be able to go.

26 Q. Well, the thing I was referring to was  
27 an upper laker, the Misener or the McLagan, all of  
28 those that you have seen, the Paterson and those  
29 that you know far better than I do: Is there going  
30







1 to be one of those or a series of those built in the  
2 United Kingdom?

3 A. I don't know, sir.

4 Q. Well, we are asking again, what are  
5 they going to compete with, because you cannot give  
6 much assistance to this Commission by saying United  
7 Kingdom competition is going to sweep Canadian shipping  
8 from the lakes unless you can tell us what they are  
9 going to use to sweep it with?

10 A. I am suggesting that they will build a  
11 ship that will be able to compete. I am not a  
12 technical man.

13 Q. Then you have a vague and uncertain  
14 fear that some ships will be built in the United  
15 Kingdom which will compete with the Canadian upper  
16 lakers?

17 A. That, sir, is the opinion that I have  
18 formed, from --

19 Q. From what you have been told, surely?

20 A. From what I have been told, yes, sir.

21 Q. Well, we are down to a proper basis.

22 A. I might add that I have not only been  
23 told that by Canadian interests; that I have been  
24 told that from other sources as well.

25 MR. GERIN-LAJOIE: Q. You will appreciate,  
26 Mr. Axelson, that this Commission has heard  
27 contradictory evidence from many sources?

28 A. Yes, sir.

29 Q. And some people say that the Canadian  
30





1 coastal fleet will be put to the wall and some other  
2 people say "No". So the Commission has to go behind  
3 the opinions of everyone coming before this Commission  
4 and enquire as to the facts which are the basis for  
5 such opinions.

6 A. Mr. Chairman, if I may say so, in regard  
7 to the future, of course I don't think that anybody  
8 could have anything but opinions, because at the  
9 present time no one knows whether United Kingdom ship  
10 owners will find it advantageous to build a ship that  
11 will operate on the lakes and on the seas as well or  
12 perhaps exclusively in the lakes.

13 Q. Mr. Axelson, I have a few points in  
14 your statement on which I should like to ask for  
15 clarification. First of all you mentioned that if  
16 we were to be consistent with the argument of some  
17 groups which have appeared before the Commission the  
18 same principle that applies to some industries, let us  
19 say, the automobile industry, and other industries  
20 which are protected by tariffs, we should also apply  
21 to the transportation industry. Don't you feel that  
22 there is a very important difference between the two  
23 and that the transportation industry is the basis for  
24 the life of any other industry in this country?

25 A. Mr. Chairman, yes, I agree that it is  
26 but that does not remove the fact that other trans-  
27 portation industries are protected by regulations.  
28 A foreign air line cannot come in and carry freight  
29 or passengers between Canadian points, nor can we  
30







1 have any road transportation by foreign shippers in  
2 this area.

3 Q. I will be more precise. Don't you feel  
4 it is essential in the present Canadian economy to  
5 have as low a cost of transportation as possible?

6 A. Yes, I agree that it is.

7 Q. And that otherwise Canadian industry  
8 will not be able to survive to a great extent?

9 A. Yes, sir, I agree that low transportation  
10 costs are vital to the national economy, but I  
11 question whether it should be made so low by means  
12 of foreign competition that our own Canadian industries  
13 will have to go out of business, our own Canadian  
14 industries in that transportation line would have to  
15 go out of business. I am not making a statement now  
16 that they will but that is the opinion that I  
17 personally have come to throughout the years of  
18 enquiring into this matter.

19 Q. When you mentioned in your statement  
20 that the roadways got \$7 million annually to reduce  
21 freight rates to the west, you realize, of course,  
22 that this money goes mostly to the western farmer,  
23 that it is to compensate for a reduction in the  
24 cost, in the rates of transportation?

25 A. Yes, I do.

26 Q. And if the coasting trade of Canada  
27 were to be restricted to Canadian registered ships,  
28 well, Canadian farmers would be an important group  
29 to support the high cost of transportation resulting  
30





1 from that restriction?

2 A. Well, Mr. Chairman, I think we mentioned  
3 in our brief that the question of cost of transporting  
4 bulk cargoes might be vastly exaggerated if you follow  
5 a rate increase to its logical conclusion, that that  
6 is what it is going to do to the end product. I do  
7 not think we will get figures that will to any great  
8 extent affect the cost of living.

9 Q. You may be quite right but you do not  
10 know any figures, I suppose, to support that statement?

11 THE CHAIRMAN: There are figures quoted by  
12 Mr. Axelson in his brief, and I suggest to you that  
13 is not the manner in which the thing can be considered  
14 at all because the man who buys one loaf of bread and  
15 who has to pay either a certain price or 1/10th cent  
16 more, simply has no say in the matter at all; but the  
17 man who has the choice of buying a ship load of wheat,  
18 and who has to pay X dollars for it, if it comes to  
19 him one way, and X plus Y dollars if it comes another  
20 way, will certainly buy the wheat that comes to him  
21 at X dollars. That is the way the cost of transportation  
22 if it does increase the cost of grain in Liverpool,  
23 will affect the Canadian farmer and the Canadian  
24 economy, not whether it makes a tenth or a hundredth  
25 of a cent difference to a loaf of bread, but whether  
26 it can be sold. If you had a position which  
27 perhaps we had at one time but we certainly do not  
28 seem to have it now, that there were three bidders  
29 for every shipload of wheat that we sent over, then  
30 you may be able to talk that way; but now there seem





1 to be three shiploads of wheat go over for every  
2 buyer who will take it and dollars mean a great deal  
3 in making your sale.  
4

5 A. Well, sir, I think that the arguments  
6 in that respect have been based on the assumption that  
7 if the Canadian coasting trade is restricted or  
8 reserved, if Canadian shipping costs will inevitably  
9 go up from what they are now, as I stated earlier  
10 today, it is a fact, I think, that costs will go  
11 down with the completion of the Seaway, and if that  
12 reduction is passed on to the buyer or the ultimate  
13 consumer I do not think that we should have any fears  
14 about the cost going up.

15 Q. But there is no doubt that the shipping  
16 interests have joined in the submission to this  
17 Commission that it is inevitable that the bulk  
18 carriage costs will go down on the completion of the  
19 Seaway, and certainly it is only rational that they  
20 should go down. Will they go down as much as they  
21 would go down if there were U.K. competition to hold  
22 them? That is the question. It is not a question  
23 of going up, it is a question of how far they will  
24 go down.

25 A. I think, sir, that it is something that  
26 only the future can prove when we have the Seaway.

27 Q. It is one of the things that we have  
28 to take from the crystal ball. Only the future will  
29 prove it but we have to examine it now.

30 A. Yes, sir, that is something for which







1 the crystal ball is necessary.

2 MR. GERIN-LAJOIE: Q. Mr. Axelson, you mention  
3 in your statement that it is not long ago that the  
4 coastal shipping services offered by U.K. registered  
5 ships lowered their current rates to meet those of  
6 a strictly Canadian competitor. Could you say what  
7 this instance was? What were the ships involved?

8 A. Well, it was the service from the Great  
9 Lakes to Newfoundland.

10 Q. And what U.K. ship had to lower its  
11 rates or her rates?

12 A. I don't know what specific ships. There  
13 were three involved, I believe.

14 Q. And who was the Canadian competitor?

15 A. The Canadian competitor was Clarke  
16 Steamship, C.N.R., and I believe the C.S.L. was  
17 involved in it too, in establishing these new rates.

18 Q. This was a rate to Newfoundland, was it  
19 not?

20 A. Yes.

21 Q. So rail transportation was also involved  
22 in the rate fixing in part?

23 A. I think it was partly involved, yes.

24 Q. Do you know when this happened?

25 A. It happened in 1954 in the spring.

26 Q. Are you in a position to supply the  
27 Commission with full information on this particular  
28 point at a later date in writing?

29 A. I can do so, yes.  
30





1 Q. You have also mentioned in your statement  
2 that subsidies have been tried in Canada but that they  
3 did not have the desired effect. Did I understand  
4 you correctly to say so?

5 A. No, Mr. Chairman, I said that some of  
6 the different ways of supporting the marine industries  
7 have been tried here in Canada. I did not mention  
8 the subsidies, which we have, of course, had for one  
9 year once, but I was referring to other means such  
10 as accelerated depreciation and vessel construction  
11 assistance.

12 Q. Do you mean it has had no effect?

13 A. They had an effect, and I think a very  
14 good effect, at the time they were instituted, but  
15 the effects did not last.

16 Q. How do you mean, they did not last?  
17 Let us say that the T.R. McLagan was depreciated much  
18 quicker than it would otherwise have been depreciated.  
19 I suppose it was of lasting effect to that company?

20 A. Yes, it was of lasting effect to that  
21 particular company that built the ship but what I  
22 mean is that it did not particularly encourage other  
23 ship owners to build more of these ships or any  
24 other ships. It is true that you could depreciate  
25 or write off the cost of a ship in a very short  
26 time when you built them under that Act, but there  
27 was still no long range encouragement to go on  
28 building new ships.

29 Q. But why not if all the new ships could  
30







1 be depreciated in the same way? I suppose that must  
2 have been an advantage to all shipping companies?

3 A. Yes, sir, but that was because of other  
4 circumstances that did not have anything directly to  
5 do with that particular Act.

6 Q. And are there other means which have been  
7 applied, to your knowledge, to the coasting trade,  
8 building coasting ships, or helping the coastal fleet?

9 A. I was not referring to the coasting  
10 trade in particular when I made the statement, sir.  
11 I was referring to the marine industries generally.

12 Q. Well, do you think it is fair to put  
13 both fleets, international and coasting, in the same  
14 category? Don't you think the problems are entirely  
15 different to a large extent at any rate?

16 A. Well, as far as this enquiry is concerned,  
17 sir, I think that low cost competition is at the bottom  
18 of the whole, and also, of course, as I have said  
19 several times, the need for retaining Canadian control  
20 over shipping facilities.

21 Q. I wonder if you have any justification  
22 to say that restriction of the coasting trade would  
23 be a practical, inexpensive way to prevent the  
24 Canadian coastal fleet from going to the wall? Why  
25 do you say inexpensive?

26 A. Well, sir, I cannot see where it would  
27 cost this country anything, except if -- and that has  
28 not been proved yet, it is also only an opinion, if  
29 we should have to pay more for water transportation  
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than we would have to do otherwise.

Q. And except if the Canadian wheat could not sell any more on the world market, for instance, the same thing about B.C. lumber and so forth?

A. Yes, sir, but according to my information, B.C. lumber has also not been sold because there was lack of shipping space to take it over to the customers.

Q. Well, that is a possibility, but it is also possible that some of the Canadian products could not sell on account of the high transportation costs or, should I say, higher transportation costs comparatively to what it could be?

A. May I suggest that it would make little difference to a Canadian seller whether or not he could not get his product to the market because of lack of ships or cost or through too high price. He would still have it.

Q. What do you mean, if there was a lack of shipping that was only for a very short period of time? You mean that there is a lack of ships to ship Canadian products at present?

A. I do not mean to say the actual lack of ships now, but I am suggesting that if the Canadian fleets go out of existence or nearly so, and if other nations' ships are encouraged to more the profitable work elsewhere, that/Canadian producer would have to sit and wait until he could be served.

Q. That is the assumption on which your





1 whole presentation is based?

2 A. That is the assumption, yes.

3 THE CHAIRMAN: Thank you, Mr. Axelsson.  
4

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8 (Page 4652 follows)  
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1 THE CHAIRMAN: Atlas Steels Limited?

2 MR. MUNDELL: This is brief No. B-33, Mr.  
3 Chairman, and the company is represented by Mr. C.L.  
4 Bailey, Vice-President.

5  
6 SUBMISSION OF ATLAS STEELS LIMITED

7  
8 ---Mr. C.L. Bailey appearing.

9 MR. BAILEY: Mr. Chairman and Commissioners,  
10 the company which I represent is wholly engaged in  
11 the production of specialty steel -- namely, Atlas  
12 Steels Limited.

13 Now, perhaps, I should briefly tell you some-  
14 thing about our company and our products.

15 We are a Canadian company with Head Office  
16 and plant in Welland, Ontario. We have a large  
17 branch warehouse here in Toronto and in five other  
18 centres across Canada. We employ, in all, about  
19 2,000 persons.

20 Atlas produces tool steels, special alloy  
21 steels, mining steels, stainless and heat resisting  
22 steels in bars, sheets, strip, tube and wire. We  
23 also produce steel of special analysis for many  
24 industries such as automotive, railways, mines,  
25 electrical, aircraft, jet engine steel, steel for  
26 military and naval weapons, and steel to Lloyd's  
27 specifications for naval and shipyards.

28 I have made this short summary of our pro-  
29 ducts in order to quickly reveal where Atlas fits  
30





1 in as a supplier to the Canadian shipyards and ship-  
2 building industry. It is apparent that a good number  
3 of our steels are used in the construction and fabri-  
4 cation of ships. It is partially this factor which  
5 prompted our participation in these hearings. I say  
6 "partially" because there are many equally important  
7 reasons. Each of us, I feel, is here because we  
8 have a genuine interest in the welfare of Canadian  
9 industry. Atlas Steels Limited feels that the  
10 Canadian industrial scene can be well served by  
11 public hearings such as this and considers it an  
12 honour to participate.

13 Will it be necessary for me to read the short  
14 brief that has been filed with the Commission?

15 THE CHAIRMAN: Oh, no, Mr. Bailey; we have  
16 already read that.

17 MR. MUNDELL: Q. I have one or two ques-  
18 tions which I might ask you, Mr. Bailey. Can you  
19 give to the Commission -- first of all, is yours a  
20 Canadian company?

21 A. Yes, sir.

22 Q. Is it Canadian-owned?

23 A. I would say 95 percent. We have a  
24 few American stockholders, but it is about 95 per-  
25 cent Canadian.

26 Q. Has it a Federal or a Provincial  
27 charter?

28 A. I think we have a Provincial char-  
29 ter.  
30







1 Q. The Province of Ontario?

2 A. Yes.

3 Q. Can you give to the Commission the per-  
4 centage of the value of your output last year that  
5 went to the shipbuilding industry?

6 A. Well, if we do not have to go into  
7 figures in too much detail ---

8 Q. I would think, perhaps, you could give  
9 us just the percentage?

10 A. Well, I was trying to work that out.  
11 Well, it would be 2 or 3 percent -- around there,  
12 roughly.

13 Q. Now, with regard to the skills of the  
14 employees engaged, are there any skills specifically  
15 relating to your product as regards the shipbuilding  
16 industry as opposed to your other products?

17 A. Well, that is not as a specific trade,  
18 but as a specific type of material and the experience  
19 in manufacturing that.

20 Q. Would your employees not get that from  
21 your other products?

22 A. No, because Lloyd's specifications  
23 and various naval specifications do not demand  
24 necessarily a different quality of workmanship, but  
25 they demand an experienced workman and also a back-  
26 ground of experience which is essential in times  
27 of war.

28 Q. Would they get those same skills from  
29 producing these materials for repair purposes as  
30





1 for building purposes?

2 A. Yes, because they are similar. Speci-  
3 fication material is used for repairs.

4 Q. Are any of your staff devoted exclus-  
5 ively to the production of shipbuilding materials?

6 A. Not at the present time, sir, but  
7 there have been periods when there has been large  
8 activity in shipbuilding and naval work when we have  
9 had a special department.

10 Q. When would those times have been?

11 A. Well, during the war, and about four  
12 or five years ago we did a large amount of work on  
13 some of ---

14 MR. MUNDELL: I think there is one statement  
15 we overlooked making today, Mr. Chairman.

16 Q. Whenever we ask questions of anybody  
17 making a presentation, Mr. Bailey, it usually winds  
18 up with us appearing very hostile, but I assure you  
19 there is no hostility involved.

20 A. I am not feeling that way at all.

21 Q. It is only that we are trying to  
22 test the validity of your statements, and to ob-  
23 tain information.

24 A. I understand, sir.

25 Q. Has your company made any special  
26 study of the effect that the Seaway will have on  
27 its business specifically?

28 A. Not a very special one. I might say  
29 we have -- we are governed to a certain extent by  
30





1 the comments of our customers. They are worried,  
2 and naturally anything that worries them concerns us.

3 Q. I am sorry, but I meant apart from the  
4 shipbuilding. I was thinking of marketing and the  
5 coasting trade. Do you send materials to Montreal  
6 by ship now?

7 A. Well, very seldom, and we do not bring  
8 in ore. We are a scrap melter, and we use electric  
9 furnaces, so we do not use the shipping industry to  
10 bring in very much raw material.

11 Q. You do not use it substantially in  
12 marketing, or in acquiring your raw product?

13 A. No, very little. Of course, we export  
14 -- about a third of our business is export, but it  
15 has not been going anywhere other than across the  
16 Lakes.

17 Q. It goes south?

18 A. That is right.

19 Q. Then, you really have not as great an  
20 interest in the water transportation rates as you  
21 have, really, in maintaining your shipbuilding  
22 work?

23 A. That is right.

24 Q. That is, as far as your own interests  
25 are concerned?

26 A. That is right; the other would be  
27 secondary.

28 Q. You mentioned in your brief that you  
29 feel protection is necessary for the shipbuilding  
30







1 industry. What precisely did you have in mind in  
2 saying that? I mean, it could be by tariffs or by  
3 subsidy or ---

4 A. I think what is meant by the statement  
5 there is something especially for the coasting trade  
6 which would, we hope, enhance the shipbuilding indus-  
7 try and, ultimately, the prosperity of Canada.

8 Q. Now, there is a distinction between  
9 the interests of the shipbuilders and those of the  
10 ship operators -- at least, a distinction may de-  
11 velop. It may be that the ship operators cannot  
12 compete with foreign vessels, or United Kingdom ves-  
13 sels, in the Great Lakes, but on the other hand it  
14 might be established by the evidence before the  
15 Commission that the Canadian shipbuilder could not  
16 compete, and in that case it would seem unnecessary  
17 to protect the operator. If the Commission came  
18 to the opinion that such steps should be taken --  
19 steps to protect the builder -- and supposing there  
20 was a construction subsidy to aid the shipbuilder  
21 only, what would be your company's view on it?

22 A. Well, of course, from my personal  
23 point of view that is what we want to see. We real-  
24 ize that in order for them both to be successful  
25 it is necessary to keep the shipbuilder or the  
26 shipyard fully occupied in Canada.

27 Q. In other words, you say that the  
28 ship operator is the market for the shipbuilder,  
29 and you have to keep him healthy, too?





1           A.       I would say yes, because I do not think  
2 we have much of an opportunity of doing an export  
3 business in ships in Canada.

4           Q.       Has your company given any considera-  
5 tion as to whether or not restriction of the Canadian  
6 coasting trade to Canadian-built vessels will accom-  
7 plish anything towards maintaining the shipbuilders?  
8 Do you know how many ships would be built?

9           A.       No, we have no idea of the quantity of  
10 ships.

11          Q.       It just looks like a good idea?

12          A.       It looks like a good idea to keep them  
13 in operation.

14          Q.       Well, has your company, or have you,  
15 had any opportunity of giving a study to the other  
16 interests which might be opposed to your proposal?  
17 I am thinking of the grain grower and the B.C.  
18 forestry man?

19          A.       Certainly, we have.

20          Q.       Have you made any study?

21          A.       We have not made any definite study  
22 of it, but we realize there are two sides to every  
23 picture. We think it is an essential thing for  
24 our industry to keep the shipyards as active as  
25 possible to employ our own people, and so that we  
26 will be prepared for an emergency in the case of  
27 war.

28          Q.       Have you given any consideration to  
29 the question whether the cheaper transportation  
30





1 which might exist might so encourage other industries  
2 that it might be more beneficial to the country?

3 A. That could possibly take place, but as  
4 yet we have no evidence that anything like that is  
5 under consideration.

6 Q. Do you sell to the United Kingdom at  
7 all?

8 A. We do a very little business with the  
9 United Kingdom owing to the sterling situation.  
10 It used to be a very large market for us, but at the  
11 present time, owing to the currency restrictions ---

12 Q. Have you given any study to the question  
13 of permitting British vessels into the Lakes, and  
14 what effect that might ---

15 A. It would help us individually, yes.  
16 We would get a cheaper rate. We realize that, but we  
17 are looking at the industry from the broader picture.

18 Q. I was thinking more or less of the  
19 dollar argument. As the sterling rate of exchange  
20 increases you might get your market there?

21 A. Yes, that could happen, too, but we  
22 have not seen any improvement in our business in  
23 England. It has been steadily going down. I think  
24 this year there is a great shortage over there, and  
25 they would take everything we could give them right  
26 now, but we cannot give them very much.

27 Q. I was really asking whether you had  
28 considered the argument that cheaper rates and the  
29 use of British vessels might benefit you more than  
30







1 the restrictions you are suggesting.

2 A. We do not feel that way, sir, at the  
3 present time.

4 MR. MUNDELL: That is really the point I  
5 was making.

6 THE CHAIRMAN: Q. You are not selling much  
7 to shipbuilding companies now, are you?

8 A. Well, yes, sir, we have had a fair  
9 amount of business with them.

10 Q. Where are they being built, outside of  
11 Government construction?

12 A. We do a lot with the ship repair people.

13 Q. Oh, repairs?

14 A. We maintain warehouses and we carry  
15 these steels from coast to coast. We have steel on  
16 both coasts in warehouses which is made to Lloyd's  
17 specifications, and which we can ship on short notice.  
18 We appreciate the fact that there is no big ship-  
19 building program going on.

20 Q. And yet you say you are in short supply  
21 now? You are not having any difficulty making  
22 sales?

23 A. No, our problem is ---

24 COMMISSIONER WICKWIRE: Cannot you sell  
25 every pound of steel you can make?

26 A. Yes, sir.

27 Q. And have you not orders for a good  
28 long time ahead for it?

29 A. Yes, a good time ahead, but that can  
30





1 change very quickly. I have seen that happen.

2 MR. MUNDELL: Q. There is one question I  
3 intended to ask you, and that is: What percentage  
4 of your sales to shipping would be for repairs and  
5 what percentage would be for construction?

6 A. Well, that is a little difficult for  
7 us to say because we sell it as a specified order to  
8 a shipyard, and a lot of them stock it, and a lot of  
9 them could use it for repairs or for virgin building.  
10 We do not have that information. We do know of  
11 specified things we have supplied for winches, or  
12 something like that, where we get a definite specifi-  
13 cation of that type. In that case we do know where  
14 it goes, but normally we sell steel that is used  
15 in many parts of the ship.

16 Q. Would it be substantial, do you know?  
17 Have you any idea of how much would be for repairs,  
18 and how much would be for building?

19 A. No, I hesitate to guess right now.  
20 I would say a large percentage of it was repair  
21 work, and our business this year would be substan-  
22 tially below that which it was in 1954, which we  
23 refer to in that report. That report also inclu-  
24 ded what we were selling for naval vessels, and we  
25 consider that shipbuilding.

26 Q. Yes?

27 A. That is what it was. A large per-  
28 centage of that was for naval vessels in that  
29 year.  
30





1 MR. MUNDELL: That is all.

2 MR. GERITY: Q. Mr. Bailey, I would like to  
3 ask you one question, if I may. I take it that you  
4 are familiar with the steel business generally, and  
5 its operations other than your own?

6 A. Yes.

7 Q. Take, for instance, a normal steel  
8 mill which carries iron and coal and the usual in-  
9 gredients. It would be more interested in a reliable,  
10 steady service than in possible drops in freight  
11 rates?

12 A. I would be more interested in a reliable  
13 and steady service than I would be in freight rates.  
14 That is, from our point of view. Are you speaking  
15 of freight rates or water rates?

16 Q. If you were faced with the choice of  
17 getting favourable freight rates from time to time  
18 as against a steady, reliable service over the years,  
19 which, as a steel maker, would you prefer?

20 A. I would sooner have a steady, reliable  
21 service.

22 Q. Would that account for the fact that  
23 United States Steel is the biggest shipowner on  
24 the Great Lakes, do you think?

25 A. Well, they own ---

26 COMMISSIONER WICKWIRE: Now, who is giving  
27 the evidence, Mr. Gerity -- you, or the witness?

28 MR. GERITY: Well, I think it is a fairly  
29 well-known statistic.  
30







1  
2 COMMISSIONER WICKWIRE: It is not known to  
3 me.

4 MR. BAILEY: We are in a different type of  
5 the  
6 business from United States Steel Corporation. We  
7 are specialty steel makers. We do not use ore in  
8 our process. We melt in electric furnaces.

9 MR. GERITY: Q. I realize that, sir.

10 A. So, as I say, anything we bring in is  
11 largely brought in by rail, and not by boat.

12 MR. GERITY: I see. Thank you.

13 THE CHAIRMAN: Thank you, Mr. Bailey.

14  
15 THE CHAIRMAN: I think, Mr. Mundell, we had  
16 better introduce the Canadian Federation of Agricul-  
17 ture tonight.

18 MR. GERIN-LAJOIE: Dr. Hope is appearing  
19 for the Canadian Federation of Agriculture, Mr.  
20 Chairman. Your Commission has received from the  
21 Canadian Federation of Agriculture a short while ago  
22 a submission in writing which ought to be filed, I  
23 assume, at this stage. It will be Exhibit No. 161.

24  
25 ---EXHIBIT NO. 161: Submission of The Canadian  
26 Federation of Agriculture  
27 dated Toronto, October 31,  
28 1955.  
29  
30





1 SUBMISSION OF THE CANADIAN FEDERATION OF  
2 AGRICULTURE

---

3 ---Dr. E.C. Hope, appearing.  
4

5 MR. GERIN-LAJOIE: Dr. Hope, would you start  
6 by giving your initials and your official title,  
7 please?

8 DR. E.C. HOPE: I am Dr. E.C. Hope, Economist  
9 of the Canadian Federation of Agriculture.

10 I regret, Mr. Chairman, that this brief was  
11 at least a week late according to our time, but I  
12 was seriously ill and confined to my bed for six days,  
13 and that is the reason why it is six days late. It  
14 is late, now, sir, and I understand you would like to  
15 stop now.

16 THE CHAIRMAN: Six days? It is four months  
17 late, is it not, Dr. Hope?

18 DR. HOPE: That is true, but our Board of  
19 Directors did not decide until a month ago that they  
20 would file a brief.

21 THE CHAIRMAN: We would prefer that you  
22 go on for a few moments because I can see we are  
23 going to have our time cut out to get through the  
24 Toronto hearings within the time we have avail-  
25 able.

26 DR. HOPE: Well, sir, shall I just read  
27 the summary and the conclusions? It will save  
28 time.

29 THE CHAIRMAN: Yes, you can assume we have  
30





1 all read the complete brief.

2 DR. HOPE: I will start at page 25, paragraph  
3 93.

4 One of the main purposes of the development  
5 of the St. Lawrence Seaway is to make possible lower  
6 transportation charges for all goods moving both ways  
7 over the 2000 miles from the mouth of the St. Lawrence  
8 to the heart of the continent. The complete elimina-  
9 tion of British shipping competition from the coasting  
10 trade, including the coasting trade of the Great  
11 Lakes and Canadian-United States trade within the  
12 Great Lakes, would prevent the full realization of  
13 this lower cost transportation potential. Marginal  
14 producers in all coastal and inland lake areas would  
15 be severally handicapped by unnecessarily higher  
16 freight rates.

17  
18 The future pattern of shipping within the  
19 St. Lawrence River and Great Lakes will tend to  
20 favour large size bulk cargo carriers, especially  
21 built for canal traffic. These vessels will have  
22 special advantages over smaller British or foreign  
23 vessels which may enter the Seaway for short per-  
24 iods to engage in coasting trade such that they  
25 will be able to compete successfully with British  
26 and foreign ships despite their lower wage rates.  
27 British-registered ships which may enter the Sea-  
28 way and coasting trade for long periods will most  
29 likely be compelled to raise their standards up  
30 to the higher cost Canadian standards. Therefore







1 if Canadian coasting trade shipowners are permitted  
2 the alternative of buying their vessels in Britain  
3 there is no possibility that when the Seaway is  
4 opened they will be driven out by British and foreign  
5 vessels.

6 Canadian shipbuilders will always have the  
7 business of constructing barges, tugs, ferry boats,  
8 Government special patrol boats and Canadian naval  
9 vessels. In addition to this they will have a con-  
10 siderably large repair and maintenance business  
11 than in recent years due to a big expansion in Seaway  
12 shipping and a larger Canadian navy. These factors  
13 alone will provide more than the minimum employment  
14 of 7,000 men which the Maritime Commission has  
15 stated is a safe nucleus of workers in the shipbuild-  
16 ing and repairing industry.

17 United States experience with shipping sub-  
18 sidies and the restriction of coasting trade to  
19 United States-registered and United States-built  
20 ships has not prevented a decline in their shipping  
21 and shipbuilding industry to relatively low levels  
22 of activity.

23 The advanced age and obsolescence of about  
24 half the Canadian Merchant Fleet indicates that  
25 over the next few years a large volume of tonnage  
26 will have to be replaced by modern vessels. More-  
27 over, due to the opening of the Seaway a consider-  
28 able expansion in the coasting shipping will be  
29 needed. If Canadian shipbuilders are given a  
30





1 monopoly in the building of ships for the coasting  
2 trade, then we anticipate a great boom in the ship-  
3 building industry.

4         These ships would be built at much higher cost  
5 than they could be obtained in Britain. This boom  
6 will be followed by a collapse when the time comes  
7 to replace the few ships built in the depression  
8 period of 1931 to 1940. Such a violent shift from  
9 feast to famine will be bad for employment, ship-  
10 builders and the providers of ship components.

11         The shipyards can have a relatively steady  
12 employment, higher than the nucleus of 7,000 men,  
13 without engaging in this inevitable cycle of ship-  
14 building activity.

15         The United Kingdom for a long period of years  
16 has depended upon sales of ships and earnings from  
17 her shipping to help pay for necessary imports.  
18 Ever since devaluation in 1949 she has been trying  
19 to create a sound balance between her imports and  
20 exports so that the pound sterling might be freely  
21 convertible. She has not yet succeeded in doing  
22 this. Moreover, within recent years her imports  
23 from Canada in particular have been running well  
24 above her exports to us.

25         If British ships are excluded from earning  
26 Canadian dollars in the Canadian coasting trade  
27 and if British shipbuilders are prevented from  
28 supplying ships to Canadian coasting shipowners,  
29 Britain will lose a very important source of revenue.  
30





1 This, in turn, would tend to reduce the possibilities  
2 of Canada exporting goods to Britain. The impact  
3 of this would be felt particularly by the agricul-  
4 tural and fishing industries because most of the  
5 products of these industries are still under British  
6 dollar exchange rationing.

7 Now I come to the conclusions and recommenda-  
8 tions.

9 A granting of the requested restrictions on  
10 the conditions governing participation in the  
11 Canadian coasting trade would confer a short-term  
12 economic advantage to a small segment of the economy  
13 - the shipbuilding industry - at the cost of a per-  
14 manently higher than necessary freight rate struc-  
15 ture from Newfoundland to the heart of the continent.

16 A significant part of the cost to the Canadian  
17 economy of such a policy would come directly out of  
18 the pockets of the producers of farm products - and  
19 particularly of the grain producers, who cannot  
20 add the greater transportation charges to the prices  
21 they receive for their products. More than a  
22 third of Canada's export trade to the United King-  
23 dom is in the form of agricultural products.

24 One of the great natural economic advantages  
25 of Canada is this fresh water traffic artery of  
26 more than 2,000 miles from which we are now at  
27 last attempting to realize the full benefits. It  
28 is not just a question of keeping to a minimum  
29 freight charges on traffic that will be carried  
30







1 even if a traffic monopoly were granted to Canadian-  
2 registered ships. It is even more important to make  
3 possible the extension of future industrial develop-  
4 ment into new economic areas which will take place  
5 if British ships are allowed to continue to compete  
6 in coasting trade. It would be a national tragedy  
7 if these full benefits were not realized because of  
8 a needless attempt to stimulate Canada's shipbuilding  
9 industry, and to provide a protected area of  
10 operation for Canada's coasting fleet.

11           Though it is impossible to predict exactly  
12 just how the pattern of shipping in the Seaway will  
13 develop, a reasonable judgment based on the facts  
14 which are available would indicate that, without  
15 any change in present law governing the coasting  
16 trade there will be:

17           (i)     A continued healthy participation of  
18 Canadian-owned and operated ships in the  
19 coasting trade, and

20           (ii)    Sufficient shipbuilding and repairing  
21 business for Canadian yards to keep them at  
22 a level of activity well above the sugges-  
23 ted necessary nucleus of 7,000 men employed  
24 in the industry.

25           Restriction of the coasting trade to Canad-  
26 ian-built and operated ships would create an un-  
27 healthy boom and bust cycle in the shipbuilding  
28 industry over the next 10 or 15 years -- that is  
29 the complete cycle.  
30





1           Therefore in what it believes to be in the  
2 national interest the Canadian Federation of Agri-  
3 culture:

4           (i)     Recommends that Canadian-registered  
5 ships built within the Commonwealth or in  
6 foreign countries be allowed to continue to  
7 engage in the Canadian coasting trade, and

8           (ii)    Recommends that this Commission make  
9 no recommendations to the Government of Canada  
10 which would result in the elimination of  
11 Commonwealth-registered ships from the  
12 coasting trade, including the Great Lakes,  
13 or in the exclusion of Commonwealth and foreign  
14 ships from engaging in United States-Canadian  
15 trade within the St. Lawrence and Great Lakes  
16 area.

17  
18       THE CHAIRMAN:   Q.   Have you anything fur-  
19 ther to add to that, Dr. Hope?

20       A.       No.   I might say that about a month  
21 ago our Board of Directors met at a semi-annual  
22 meeting, and the framework of what is in the brief  
23 was discussed by the Board of Directors, and they  
24 concurred that that should be the standing of the  
25 Canadian Federation of Agriculture, and that is  
26 one of the reasons why we are late.

27       THE CHAIRMAN:   Yes, Mr. Lajoie?

28       MR. GERIN-LAJOIE:   May I say, Mr. Chairman,  
29 that this brief is very logically presented, and  
30 it will make examination so much more easy.





1 Q. Dr. Hope, I shall refer to a number  
2 of statements or things expressed in your brief.  
3 First of all, I refer to page 5, paragraph 21,  
4 where you mention, and I quote:

5 "But we are convinced that these  
6 "charges ..." --  
7 that is, the rates charged for shipments on the Great  
8 Lakes --

9 "... would still be needlessly higher than  
10 "would be the case than if British ships  
11 "continued to be allowed to engage in the  
12 "coasting trade."

13 That is, if restrictions were put into force. Would  
14 you explain how you would expect rates and charges  
15 to be needlessly higher than otherwise?

16 A. Well, if the trade in the Great Lakes  
17 was confined -- it is not only the Great Lakes, for  
18 that matter; it is the Seaway itself that we are  
19 talking about here -- if Canadians have to buy  
20 their ships made in Canada the ships will cost more.  
21 The general overhead will be more. There will be  
22 larger boats and there will be some British ships  
23 coming into the Seaway, but we cannot see how  
24 there could be a lot of them.

25 Q. But you are talking here of higher  
26 charges if there are no British ships allowed to  
27 come in.

28 A. Yes, higher freight rates; that is  
29 true.  
30







1 Q. Well, why is it just on account of the  
2 higher capital cost?

3 A. Higher capital cost somewhat, higher  
4 wages, and when you are not compelled to meet the  
5 competition here and there of a low-cost producer  
6 the tendency is for your charges to be higher, be-  
7 cause, after all, in some of this trade between Canada  
8 and the United States, for instance, within the  
9 Lakes we would be competing with American ships which  
10 are an even higher cost than our own, and with no  
11 leavening influence of some ships which do have  
12 lower costs, and which could perhaps bring the rates  
13 down a bit, they would be unnecessarily high. That  
14 is what we mean.

15 Q. Do you feel that the competition  
16 within the Great Lakes shipping owners that we have  
17 at present, and that we may have in Canada in the  
18 future in addition to the present ones, would not  
19 be sufficient?

20 A. If the British ships are excluded,  
21 do you mean?

22 Q. Yes.

23 A. No, it would not be sufficient.

24 Q. Why? Is it just a question of  
25 number, or just because the British ships happen  
26 to have a lower operating cost?

27 A. When you say "just because" it is  
28 a very important "just"; in fact, it is the crux  
29 of it. If Canadian shipowners are compelled to  
30





1 buy only from a Canadian shipyard, and if we are to  
2 believe what is in the briefs of the yards that  
3 Canadian ships cost 50 percent more to build, and  
4 they have got such higher labour rates, then obviously  
5 without the pressure from some people who might come  
6 in occasionally and offer rates that are lower it  
7 would be a tendency for the rates to be higher.

8 COMMISSIONER BELANGER: Q. Do you not say  
9 elsewhere in your brief that the British ships would  
10 not be able to compete with the big Lakers?

11 A. No, I think we say there would be an  
12 even break between the two. The brief points out  
13 that the smaller British ships would have a lower  
14 cost per day of running the ship, but the larger  
15 Canadian bulk carrier with higher wages per ton  
16 might have about the same rate -- or, cost, rather.  
17 Therefore, they would ---

18 Q. But how could they influence the rates,  
19 then, if they cannot compete with the big Lakers?

20 A. I did not say they could not compete.  
21 I would say they would have an even break, and  
22 be very close to it. Would you refer exactly to  
23 the section in the brief where that is said?

24 MR. MUNDELL: Page 8, I think it is, para-  
25 graph 36.

26 DR. HOPE: Paragraph 36:

27 "Even if it could be proved that  
28 "the 9,000 to 10,000-ton British ships  
29 "coming into the Seaway to engage in  
30





1 "coastal or foreign trade for a short time  
2 "had costs per ton per day a little lower  
3 "than the large Canadian Lakers, it would not  
4 "necessarily prove that Canadian ships  
5 "would be driven from the Seaway by British  
6 "or even foreign ships."

7 MR. MUNDELL: And the last sentence of  
8 paragraph 34.

9 DR. HOPE: "On this basis of cost per ton  
10 "per day, even assuming that the new specially  
11 "built Lake freighters travel at the same  
12 "speed as the small British ships, we believe  
13 "the Canadian ships will at least have an  
14 "even break with British ships."

15 COMMISSIONER BELANGER: Q. How could, then,  
16 the British ships drive the rates down if they break  
17 even with the other ships?  
18  
19  
20  
21  
22  
23  
24

25 (Page 4675 follows)  
26  
27  
28  
29  
30







1 THE CHAIRMAN: That is the bogey-man fear  
2 again. It is always that. You wanted to have some  
3 potential competition, and then after you say the  
4 competition is not as efficient. I do not know, but  
5 I put more reliance on the intelligence of the  
6 Canadian ship owner. He is not going to be a bit  
7 frightened by competition unless he knows that that  
8 competition is an efficient competition.

9 DR. HOPE: Actually, there might be - I  
10 suppose the range of ships coming through the canal  
11 would be 4,000 to 10,000 tons - probably not more  
12 than 10,000 tons and that is the gross weight that  
13 they can carry. Those 10,000 tonners, would be the  
14 lowest cost of operating, presumably, per ton, and  
15 some of those probably would have lower costs than  
16 some of the Canadian boats actually operating. They  
17 would probably have lower costs, for instance, than  
18 an equal-tonnage Canadian boat, so we cannot say that  
19 the pattern will be all 20,000 ton boats.

20 THE CHAIRMAN: Q. But that is the pattern that  
21 is going to set the competition, because even amongst  
22 the Canadian ships, leaving out any imports or  
23 foreign ships, these 10,000 tonners are not going to  
24 be able to compete - not with any foreign ship but  
25 with a modern Canadian ship, and they are going to  
26 be driven out, so that the competition will be between  
27 whatever comes from the United Kingdom and the big  
28 lakers.

29 A. The lowest cost Canadian boat will be  
30





the one that will compete with the British boat.

Q. It is the only one that will provide any effective competition.

A. And if they had no British boats - just Canadian boats - we would not think or believe that the rate would be driven down to the rate of the biggest Canadian boat on the Great Lakes.

Q. Why? Are they playing cousins, to use a popular phrase, because not all the big Canadian boats are used by the same company?

A. The assumption then, would be that all the boats in Canada would be 20,000 tonners.

Q. I am talking about competition between the big boats that we agreed a moment ago, I thought, were the effective competition. Now, you say it would not be driven down as far as it would have been if British ships had been allowed in. The British ships, you have agreed, I thought, are not as efficient as Canadian lakers. Why would not the Canadian lakers competing among themselves, drive the rate down as low as though there were British boats - less efficient you will agree - there also?

A. I do not think they would because, first of all, in many cases the larger competition would be with American boats which are also large ones.

Q. But American boats, under the present statute have nothing to do with the coastal trade of Canada. They cannot get into it.

A. No, but they can take iron ore from





1 Canada to the United States.

2 Q. But they have the great disadvantage  
3 that they cannot do the round trip because they  
4 cannot come back.

5 A. They could take a round trip with coal.  
6 They can do some of them.

7 Q. How far down does the coal go?

8 A. Down to Toronto, to Montreal.

9 Q. Is there much coal to Montreal now?

10 A. No, but there would be when the -- in  
11 fact, that is the chief complaint of the Maritimes,  
12 that when the canal is opened they will lose their  
13 coal trade. It will come right down to Montreal with  
14 these returning ore carriers.

15 Q. So you say their competition would be  
16 a United States boat taking coal from Cleveland to  
17 Montreal and iron ore from Seven Islands to Cleveland?

18 A. They could take some of that.

19 Q. That is a typical example of the round  
20 trip you have in mind?

21 A. Yes, for an American boat it would be  
22 that.

23 MR. GERIN-LAJOIE: Q. Dr. Hope, a moment ago,  
24 as well as in your brief, you envisage the competition,  
25 or possible competition of United Kingdom registered  
26 ships of 9,000 or 10,000 tons at the maximum?

27 A. Yes.

28 Q. Have you ever heard, or have you ever  
29 considered the possibility of a competition from the  
30







1 so-called dual purpose or composite type of ship which  
2 might have a tonnage of, let us say, 18,000, and would  
3 ply the Great Lakes and the St. Lawrence River in the  
4 summer time and the ocean in the winter time?

5 A. Well, I admit I am no marine expert,  
6 but I have not heard of a boat like that actually  
7 built - that is, an 18,000 ton 600 or 700 foot boat  
8 made to ply the Great Lakes as a special bulk carrier  
9 able to withstand the storms of the Atlantic. I have  
10 not heard of one being built yet, but there may be some.  
11 Maybe they are experimenting with it, but I suggest  
12 it would be quite an engineering feat to do it.

13 MR. GERIN-LAJOIE: This possibility has been  
14 mentioned, and I was wondering if you see in such a  
15 possibility a danger to the Canadian laker and the  
16 Canadian coastal fleet.

17 THE CHAIRMAN: Q. It is a possibility. We  
18 have cross-sections of the ships as exhibits.

19 A. Are they actually built yet?

20 THE CHAIRMAN: No, these were naval architect's  
21 drawings of cross-sections.

22 MR. MUNDELL: I think there is one exhibit  
23 filed which shows there are such dual purpose ships  
24 in service elsewhere.

25 THE CHAIRMAN: Yes, but they are dual cargo  
26 carriers, and not ones that have a lake operation  
27 in the summer and an ocean operation in the winter.  
28 There would not be any such ships created yet  
29 because there is only a 14 foot draught.  
30





1 MR. GERIN-LAJOIE: Q. If the Commission was  
2 to have evidence to its satisfaction that such a ship  
3 is in the way of being built, and is possible, would  
4 you not feel that that competition might be dangerous  
5 for the Canadian coastal fleet, or would you still  
6 hold the same opinion, and views as you have expressed  
7 in your brief?

8 A. No, I do not know - I would have to  
9 think about that because it is a question of cargo  
10 inside the lakes. If the boat came up it would have  
11 to take ore or something like that to get in. It  
12 could not come empty up to Fort William. It would  
13 have to be assured of a cargo up there, and there is  
14 not much of a cargo which would go up to Fort  
15 William, in spite of what people say. I cannot see  
16 much of a cargo going to Fort William from Toronto,  
17 for instance.

18 THE CHAIRMAN: Q. The lakers have gone back  
19 empty for a generation.

20 A. I know they have generally gone back  
21 empty.

22 THE CHAIRMAN: Well, this composite ship might  
23 go back empty.

24 MR. GERIN-LAJOIE: Q. He would be in the  
25 same position as the Canadian laker or the Canadian  
26 registered ship?

27 A. The same position exactly.

28 Q. That is from the point of view of  
29 having a return cargo or not?

30





1           A.       The Canadian registered boat would take  
2 ore and would likely take grain coming back.

3           Q.       Well, the United Kingdom registered  
4 composite type of ship could do the same, I assume?

5           A.       Unless the ore companies have fleets  
6 of chartered boats which that ship could not get in  
7 on, in which case it would not get a load. I would  
8 suspect, but I do not know, that the iron ore companies  
9 would prefer fleets of chartered boats rather than an  
10 unchartered boat which would come and go. In that  
11 case they would be guaranteed that they were going to  
12 get their ore continuously by carrier, and in which  
13 case an itinerant boat would not have the same chance.

14           THE CHAIRMAN: Perhaps you should have more  
15 chance of thinking of that, because in our view it is  
16 an important part of the consideration of this  
17 question. A composite ship probably seems to be the  
18 only effective competition. We will continue tomorrow  
19 morning at ten o'clock.

20 --- Whereupon the hearing adjourned at 5.20 P.M.  
21 until 10.00 A.M., Tuesday, November 1st, 1955.

22 -----  
23  
24  
25  
26  
27  
28  
29  
30





*AK*  
*5/11/55*

1

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Part B.

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Take A  
Nov. 1/55  
JC

TUESDAY, NOVEMBER 1, 1955

---On resuming at 10:00 A.M.:

CONTINUATION OF SUBMISSION OF CANADIAN FEDERATION OF AGRICULTURE

---Dr. E.C. Hope, appearing.

THE CHAIRMAN: Yes, Mr. Lajoie?

MR. GERIN-LAJOIE: Mr. Chairman, shall I proceed with the examination of Dr. Hope for the Canadian Federation of Agriculture?

THE CHAIRMAN: Yes, proceed.

MR. GERIN-LAJOIE: Q. Dr. Hope, we were considering last night when the Commission adjourned the possibility that a dual-purpose type of vessel might be built by the shipowners in the United Kingdom, and that such vessels may be in a position to ply the St. Lawrence Seaway and the Great Lakes in the summertime and the ocean in the wintertime, and if that were so, accordingly to some evidence put forward before this Commission, these ships would be in a position to compete very effectively and take the market to a large extent away from the ordinary Canadian-registered ship which would be ice-bound for the winter period. Have you considered that possibility in preparing your brief?

A. No, I admit we did not consider the possibility of that. I did notice in the British Conference brief they did mention -- the British







1 Conference, I think it is -- the possibility that  
2 there may be considerable demand created for a ship  
3 which would be able to traverse the new locks and  
4 take part in the Seaway trade and in the wintertime  
5 go out of the locks or out of the Lake and take part  
6 in the ocean trade.

7 It seems to me that would break itself down  
8 into two types.

9 Assuming we can get the very large ship like  
10 the 20,000 deadweight ton ship constructed to be able  
11 to travel the ocean, and Lloyd's would insure it;  
12 to be effective at all it would have to be an ore-  
13 carrier. It would be in the bulk trade obviously,  
14 and if it took grain across the water from Fort  
15 William to Great Britain or to the Orient or South  
16 America as a bulk carrier the question would be what  
17 kind of cargo would it be able to get to come back  
18 with.

19 Q. I believe that would be international  
20 trade.

21 A. Coasting trade only?

22 Q. Yes, the suggestion was that the  
23 ship would engage in the coasting trade in the  
24 summertime ---

25 A. Always the coasting trade?

26 Q. Always, and in the wintertime in  
27 international trade ---

28 A. International trade in the wintertime  
29 only? Well, the carrying capacity in the summer-  
30





1 time and the wintertime on the St. Lawrence Seaway  
2 and the ocean would be different. In other words,  
3 this boat would be an ore-and-grain boat in the winter-  
4 time, or rather in the summertime. You say, in the  
5 wintertime it would go out of the Great Lakes and  
6 carry something else, bulk trade, throughout the  
7 world.

8 Q. That is right.

9 A. My guess is that it would not get very  
10 much ore when it came back to Canada in the spring.  
11 I cannot imagine the ore people being satisfied with  
12 ore boats that may be hither and yon, scattered  
13 throughout the world, to come into the Lakes in the  
14 springtime.

15 Q. Supposing the ore people were to make  
16 a contract with a shipping company, having such  
17 dual-purpose ships, and the contract would provide  
18 that the ships be available, let us say, from April  
19 or May to some time in November at the end of the  
20 St. Lawrence Seaway season.

21 A. Well, you would have to have ---

22 Q. That would be the contract basis.

23 A. In other words, these ore boats  
24 would be -- it would take around about 100 ore  
25 boats to carry the ore for any large quantity --  
26 of course, these ships would have to go out into  
27 the rest of the world in the wintertime to compete  
28 and adding to the tonnage throughout the world in  
29 wintertime.  
30





1 Q. That is right.

2 A. Whether or not they could make any  
3 money out of that business, I do not know.

4 Q. That may be the question mark.

5 A. You would have anywhere from 50 to 100  
6 large boats sailing out into the seas trying to pick  
7 up bulk cargo for four months of the year.

8 THE CHAIRMAN: Q. It would not be 50 or 100  
9 boats, Mr. Hope, because a lot of them are also Tide  
10 people and the U.S. Steel boats.

11 A. In other words, there would be some-  
12 thing like 10 or 20 of them?

13 Q. Yes.

14 A. It would not matter with 10 or 20.  
15 They could not possibly drive down the rates so low  
16 so they would be at too low a rate. One or two, or  
17 a small number, operating at a low cost even will not  
18 drive the price down to their cost level.

19 The same thing applies to any industry. We  
20 have, for instance, in Canada the Canada Packers;  
21 by far the largest and lowest cost operator, but  
22 you don't find them bidding prices down to a level  
23 where they cannot operate on. They drive down  
24 prices -- competition from large producers will  
25 drive prices down a bit, but it will still leave  
26 it at a level that they can make extra gravy out  
27 of it.

28 They are not going to push prices down  
29 because of the one-tenth of the boats of that type --  
30







1 MR. GERIN-LAJOIE: Q. Is it not conceivable  
2 that a relatively small number of such ships might  
3 disrupt the rate structure?

4 A. No.

5 Q. That they might come in in large num-  
6 bers when the ocean trade is at a low point and in  
7 smaller numbers when the ocean trade is at a higher  
8 point.

9 A. Well, you might have that, it is true.  
10 They might be engaged in international trade for a  
11 time and through competition some boats might come  
12 in. You might get the rates depressed a little, but  
13 I think there is a risk of the same thing happening  
14 in Canada even if we were to confine it to Canadian  
15 ships doing the trade. If it is restricted to only  
16 Canadian and American boats plying this trade, and  
17 a depression came along and the price of steel fell  
18 down and steel capacity fell off 60 percent, of  
19 course you could have the same thing happen in the  
20 Great Lakes anyway. You are bound to have that  
21 situation arise from time to time, but to say a  
22 few boats ---

23 THE CHAIRMAN: I do not think that is  
24 what Mr. Lajoie was referring to at all. He is  
25 not referring to the coasting trade during a de-  
26 pression. He is referring to the well-known  
27 terrific fluctuations in ocean rates and at the  
28 present time they are very little, if at all, re-  
29 flected in the Lake trades; so that that is a  
30





1 problem which will be occasioned when there are  
2 very low ocean rates, world rates.

3 A. Yes.

4 Q. But the same demand, and therefore  
5 the same going rate on the Great Lakes. Now, these  
6 would not be chartered boats at all. They would be  
7 ocean-type freighters and their competition would be  
8 less efficient, but on the other hand, anything they  
9 could pick up would be higher than the going ocean  
10 rate. That is not competition by a composite type.  
11 That is just a wandering tramp that wanders into the  
12 Lakes because there is nothing on the ocean.

13 A. That could happen. By the same token,  
14 if it can happen that way it can happen the other  
15 way. If boats come in temporarily like that and  
16 take some of the traffic, then when ocean cargoes  
17 are plentiful the same boats will go out and the  
18 rates will tend to rise, then, on the Seaway.  
19 Therefore -- I am not trying to say it would be as  
20 uniform a rate as we have today, but the price  
21 would work out; sometimes high, sometimes low. You  
22 are bound to have some fluctuation. What I am  
23 trying to say is that with itinerate boats coming  
24 in, you will have a temporary disruption of the  
25 price structure.

26  
27 COMMISSIONER BELANGER: Q. Do you say  
28 that U.K. boats will not affect the rates very  
29 much on the Great Lakes?

30 A. No. From time to time they would





1 as the Chairman pointed out.

2 Q. Why are you opposed to the restriction  
3 of coasting trade if the British boats will not  
4 drive the rates down?

5 A. Because, as we tried to point out in  
6 our brief, they are more lower-cost operating boats.  
7 We feel the additional competition on the average  
8 would make the rates a little lower than if they  
9 were -- what I am trying to say is, that it will not  
10 disrupt it to the point that all Canadian ships will  
11 be driven out. The rates would tend to be somewhat  
12 lower because of the additional competition of the  
13 low-cost boats, but it would not result, in the net  
14 result as I see it, in all the Canadian ships being  
15 driven off the Great Lakes permanently as some  
16 people seem to indicate. That is what I mean.

17 MR. GERIN-LAJOIE: Q. Do you consider  
18 that the rate fluctuations for ocean transportation  
19 might reflect on the rates on the Great Lakes and  
20 on the St. Lawrence River?

21 A. Yes, I would suspect -- I would sus-  
22 pect that the fluctuations would be more than they  
23 are today or they have been in the past somewhat,  
24 but I would not expect them to fluctuate neces-  
25 sarily fully as much, perhaps, as the ocean tramp  
26 rates. There would be more fluctuation in it  
27 all right.

28 Q. Would you consider it desirable  
29 that there be fluctuation in the rates as there  
30







1 have been in the ocean rates, as compared to this  
2 stability of the Great Lakes rates?

3 A. There is nothing holy in stability, as  
4 I see it. We all have to have a certain amount of  
5 flexibility, and if we get more competition and the  
6 prices we paid were somewhat more flexible, I do not  
7 think we should worry about that because, after all,  
8 a great deal of this ore carrying will be done by,  
9 perhaps, season charter, and it would not fluctuate,  
10 as I see it, from week to week or month to month.

11 Q. What about the rates for the transpor-  
12 tation of grain where the level of rates is probably  
13 more important than in the case of ore?

14 A. Well, the upper limit is set by the  
15 Board of Transport Commissioners -- Grain Commis-  
16 sioners. Even with that basic, I suppose, the rates  
17 could come down.

18 Q. If I may come to that point precisely.  
19 If there is a maximum fixed rate, how would the  
20 Lake shipping companies be in a position to compen-  
21 sate the lower rates they would have to meet on  
22 certain tonnages to meet the competition of ocean  
23 ships coming in?

24 A. Well, my guess would be that the  
25 rate for shipping grain from Fort William to Mont-  
26 real would likely never fall lower than what the  
27 railway people call out-of-pocket expenses. In  
28 other words, the cash operating cost of moving  
29 the grain would be the lower limit.  
30





1 Q. Why is that?

2 A. Because they would not take it.

3 Q. If a shipping company has to meet the  
4 competition of other shipping companies, I suppose  
5 they would want to have their ships running and  
6 working.

7 A. But not below the cash costs, the ship  
8 would probably stay still if the cash costs went  
9 below -- the operating costs of the ship in actual  
10 cash outlay. No interest on investment, no depre-  
11 ciation. I do not think a ship, after all, would  
12 not pick up any cargo if the rate was going to fall  
13 below that.

14 THE CHAIRMAN: Q. Which ship?

15 A. A big ship. It would perhaps either  
16 go back empty and pick up ore, or ---

17 THE CHAIRMAN: Q. If these ships come in  
18 from the international trade and want to pick up  
19 some business at a lower rate than the daily opera-  
20 ting rate of the Laker, as it might well be, because  
21 they have to take the trip anyway, they might just  
22 as well take the trip with some cargo in their  
23 bottoms; then the Laker will either have to meet  
24 that competition or not get the business.

25 MR. GERIN-LAJOIE: Q. Particularly if the  
26 Laker is going back for some more cargo, so instead  
27 of going back empty, the Laker may have to take  
28 grain at a rate which would not allow him to meet  
29 his out-of-pocket expenses.  
30





1           A.       In actual fact, as I understand it,  
2 the people who have studied it claim there would be  
3 considerably more up-Lake traffic than down traffic,  
4 so the rates for grain will generally be at cost at  
5 all times or near it.

6           THE CHAIRMAN:   Q.   The traffic up-Lake  
7 will be ore.

8           A.       Well, the traffic will be ore. Perhaps  
9 on the grain just breaking even at least a good deal  
10 of the time, so therefore I would not suspect that  
11 any British shipping people would deliberately em-  
12 bark on a long-range policy of engaging in that kind  
13 of trade permanently. They might occasionally. I  
14 do not know. I do not think in this kind of economy  
15 we can plan our shipping on the Great Lakes or any-  
16 where so that they can all make a profit. That is  
17 not the kind of system that would work out.

18           There are times they will make profits and  
19 there are other times that they just break even. I  
20 cannot see again -- certainly I have never seen any  
21 convincing arguments that can show that if our  
22 Canadian shipowners can get ships built at a rea-  
23 sonable cost where the British people can come in  
24 and simply drive them out of business on the Great  
25 Lakes permanently.

26           MR. GERIN-LAJOIE:   Q.   Dr. Hope, some  
27 of the views put forward before this Commission,  
28 I believe are precisely that a number of British  
29 or U.K.-registered tramps may come within the  
30







1 Great Lakes are and the St. Lawrence River and so  
2 forth and disrupt, temporarily, the rate structure,  
3 and that may put out of business a number of Lake  
4 shipowners; maybe not all of them, but a number of  
5 them. In that case it would diminish competition for  
6 years to follow and it would also give the Canadian  
7 producers and Canadian manufacturers a less efficient  
8 system of transportation.

9 A. Well, can I answer that statement this  
10 way: It is perfectly true that tramp rates have been  
11 known to fluctuate widely, but they have fluctuated  
12 widely for 100 years. It is normal and quite typical,  
13 and yet we still have these tramp steamers where  
14 that trade is still carried on, and anybody who is  
15 in the shipping business goes into it with the know-  
16 ledge that some times he makes great profits and  
17 some times he makes nothing, just breaks even, or  
18 maybe even goes below that.

19 Therefore, over a period of years the trade  
20 has been carried on and there are still shipping  
21 firms in business, so therefore I do not see how  
22 we can evolve a policy that we can always guaran-  
23 tee that the ships on the Great Lakes are going  
24 to be exempted from that kind of competition.

25 THE CHAIRMAN: Q. They have been so far.

26 A. They have been so far, yes, to a  
27 certain extent.

28 Q. Do you say that what the shipowing  
29 companies and the shipbuilding companies wish is  
30





1 an artificial wall which is as high and as effective  
2 as the natural one there now?

3 A. That is almost exactly it in a nutshell.

4 MR. GERIN-LAJOIE:

5 Q. Dr. Hope, may I ask why do you say  
6 that the Canadian shipowners on the Great Lakes and  
7 St. Lawrence River cannot expect to be protected from  
8 that type of ocean ship competition which you have  
9 just described? Is it not conceivable and reason-  
ably possible?

10 A. Well, it may be done, certainly, if  
11 Government policies decide that. Of course, it can  
12 be done, but we must deal with the long-run interests.  
13 The reason why people -- people, I suppose, have been  
14 talking for 100 years about building this great water-  
15 way. It was talked about long before people  
16 talked in terms of defence and long before they talk-  
17 ed in terms of hydro electric power, they dreamed of  
18 this great artery. If we are going to build an  
19 artery and then put the same restrictions on it that  
20 have been there before, we do not think we have a  
21 chance of reaping the full benefit from it. That  
22 is the basis of our reasoning.

23 Q. Well, I will come right into this  
24 question of reaping the full benefits from the  
25 St. Lawrence Waterway. I imagine you agree with,  
26 let us say, the Canadian wheat producer will benefit  
27 from the St. Lawrence Waterway from a money point  
28 of view even if the coasting trade of Canada is  
29 restricted to Canadian-built and Canadian-  
30





1 registered vessels.

2 A. Yes.

3 Q. You agree with this statement?

4 A. Yes.

5 Q. And would it be fair in a way to have  
6 the benefit of the Seaway share by other Canadians  
7 other than the wheat producers and some other pro-  
8 ducers in Canada and have, let us say, all people  
9 interested in shipping and the shipbuilding industry  
10 -- when I say "all people interested" I mean the  
11 workers as well as the owners -- have their share  
12 of the benefit also?

13 A. I feel that the shipowners in the long  
14 run will benefit even if it is completely unrestric-  
15 ted, because we feel that there will be a substantial  
16 increase in the shipping trade and that the Canadian  
17 shipowners will get their reasonable share of it,  
18 although granting even if British ships do come in,  
19 there will be more Canadian ships being used and  
20 more activity. Therefore, they will get some bene-  
21 fit; not as much as if it were completely restric-  
22 ted.

23  
24 Even if it were completely restricted and  
25 if the rates were a little higher, slightly  
26 higher because it is restricted, then the possi-  
27 bility of industrial and economic development with-  
28 in the area will be slightly curtailed because  
29 there will be marginal people ---

30 THE CHAIRMAN: Q. What<sup>do</sup> you mean by the







1 word "higher" there? Do you mean higher than at  
2 present?

3 A. Higher than it would be if it were  
4 unrestricted.

5 Q. Not so low?

6 A. Yes, because there would be many in-  
7 dustries which are marginal producers who depend  
8 upon -- a small change in the freight rates, as we  
9 see it, can make a difference economically to a  
10 developing industry.

11 I notice there are some briefs from Newfound-  
12 land, for instance, firms there that, in their  
13 briefs, have pointed out that even a modest change  
14 in the freight rates might very well restrict their  
15 activities. That applies to all industry. It  
16 does not take much of a change in the cost to drive --  
17 to shift the margin either in or out.

18 Therefore if this should take place and the  
19 economy not develop as fully as it should have done,  
20 then the Canadian shipping firms may not have the  
21 same possibility of expansion.

22 COMMISSIONER BELANGER: Q. Are there  
23 many of these industries such as the steel indus-  
24 try which use water carriers?

25 A. I do not know. I notice there is  
26 a new development in today's paper, a new dis-  
27 covery of base metals in existence in New Bruns-  
28 wick. There are some new ones at Gaspé. I do  
29 not know. They are cropping up all the time in  
30





1 this area.

2 THE CHAIRMAN: We have the brief today of  
3 the New Brunswick base metal industry.

4 MR. GERIN-LAJOIE: Q. Dr. Hope ---

5 A. I don't know how many there could be.  
6 I would suggest they may well bring more out.

7 Q. Dr. Hope, perhaps I should now ask you  
8 a few questions about the shipbuilding part of your  
9 brief, page 9. Would you care to have a look at  
10 page 9, paragraph 41. You give a list of the sources  
11 of work which the Canadian shipyards obtain at  
12 present, sources of business. First, construction  
13 of Canadian merchant ships. I believe you mentioned  
14 in your brief that the Canadian shipyards cannot  
15 expect to have any substantial number of merchant  
16 ships to build in the future if we were to have  
17 restriction of the coasting trade, is that right?

18 A. That is correct.

19 Q. Regarding the second, the construc-  
20 tion of Canadian naval vessels, do you expect  
21 construction of naval vessels for Canada to continue  
22 for some period of time?

23 A. Well, we have launched one and  
24 there are fourteen more underway, or thirteen more  
25 underway, these ships, destroyers, and a number  
26 of other minesweepers and patrol boats. I would  
27 suspect that we will not reduce our naval building  
28 program, after all, to what it was in the doldrums  
29 that we were in. I would suspect that we will  
30





1 probably keep it up. Mind you, that is a thing  
2 that is completely conjecture, I know.

3 Q. I believe the building program, I do  
4 not know if you have any contrary information, the  
5 naval building program at the present time is  
6 tapering down.

7 A. Yes.

8 Q. There are no new orders coming in  
9 and there have not been for the past few months,  
10 maybe a year or two.

11 A. Of course, we have not suggested that  
12 the Government would have a detailed naval building  
13 program more than five years in advance, and this  
14 has been a five-year project. Maybe after we have  
15 gone two or three years they may decide to build  
16 more ships. I would judge from the description of  
17 this boat I think we need a lot more of them than  
18 the fourteen.

19 Q. At the present time, however, there  
20 is no indication that new orders are forthcoming?

21 A. That is correct.

22 Q. I pass No. 3. I go to No. 4.  
23 Construction of miscellaneous Canadian Government  
24 ships. You mean ships for the Department of  
25 Transport?

26 A. Yes, ferry boats, Department of  
27 Transport, coastal patrol boats. In fact, it is  
28 quite surprising the amount of miscellaneous con-  
29 struction done. I think in the last four or five  
30







1 years it has averaged over 7,000 tons a year. One  
2 year it was 15,000 tons.

3 THE CHAIRMAN: Q. In fact, in the ocean  
4 yards, as distinct from the Great Lakes yards, those  
5 two classes constitute practically all of their  
6 work they have at present except for, I think, one  
7 freighter and some scows on the West Coast.

8 A. Yes.

9 Q. That is all we have seen. I think we  
10 have seen twenty-one out of twenty-two shipyards so  
11 far.

12 A. There has been some suggestion that  
13 in view of the uncertainty of what is going to happen  
14 in Government policy shipbuilding has stopped.

15 I think that the British people in their  
16 brief pointed out due to the uncertainty of the open-  
17 ing of the St. Lawrence River, they have stopped  
18 shipping for the time being, not knowing what the  
19 future developments might be. That was mentioned.

20 MR. GERIN-LAJOIE: Q. Now, coming to No.

21 5 ---

22 THE CHAIRMAN: Now, just let us stop at  
23 that statement for a moment. If the uncertainty  
24 is there may be restriction, then the Canadian  
25 shipowner can do no better than to get his order  
26 in and get his keel laid and get started now. If  
27 the Canadian owners' fear is that there will be  
28 no restriction, that is indicative of the Canad-  
29 ian owner's policy of refraining from putting in  
30





1 orders and showing they do not share your hopeful  
2 view of their ability to compete with the British.

3 A. I was rather surprised when I saw that  
4 un-  
5 statement less they thought that if a ship was built  
6 in Britain they would not be allowed to use it over  
7 here.

8 THE CHAIRMAN: Q. There is no difficulty  
9 with the British yards. They are not idle. If you  
10 put in an order now you may get delivery by 1960 or  
11 1961. I am speaking of the idleness of the Canadian  
12 yards.

13 A. I was referring to the British.

14 Q. This order by the Iron Ore Company was  
15 away back in 1951 and they expect delivery in 1956.

16 A. In other words, even if you wanted  
17 to get boats built in Britain now you could not get  
18 delivery?

19 THE CHAIRMAN: I think that is a very clear  
20 statement.

21 MR. GERIN-LAJOIE: Q. Dr. Hope, if I may  
22 pass to item No. 5, the construction of foreign  
23 ships. I suppose they are in the same position  
24 as Canadian merchant ships, no orders would be ex-  
25 pected in Canada?

26 A. No orders would be expected in Canada  
27 unless it was a question of time of delivery. We  
28 did have a fair number of orders for construction  
29 of foreign ships in the late '40s and early '50s.  
30 That was because of the question of time of delivery.





1 That situation can still arise.

2 Accordingly to the Maritime Commission, they  
3 investigated the shipbuilding industry in 1947 and  
4 1948 and they said that they thought there was  
5 far too much capacity of shipbuilding yards in Canada  
6 for normal peacetime use. At that time they said  
7 the yards were capable of building 500,000 tons a  
8 year, a tremendous capacity. Therefore, something  
9 obviously had to shrink.

10 Q. It has, I understand, Dr. Hope.

11 A. Yes, but whether it has shrunk to  
12 normal years, I do not know. I would suspect that  
13 there is still a possibility of a foreign order on  
14 the basis of delivery because we have the capacity  
15 that Europe has not got at the present time.

16 THE CHAIRMAN: Q. Have not the non-United  
17 Kingdom yards come forward to compete with the  
18 United Kingdom yards, the low-cost yards such as  
19 the German and Japanese yards?

20 A. I cannot say for sure about the Japan-  
21 ese yards, but the information we have is that the  
22 German yards are plugged up the same as the  
23 British yards. I do not know about the Japanese.

24 MR. GERIN-LAJOIE: Q. Dr. Hope, you men-  
25 tion that it is not like that the Canadian yards  
26 can expect much business in the construction of  
27 standard types of merchant ships, but it would  
28 seem reasonable to expect that Canadian yards with  
29 facilities and experience for construction of  
30







1 specialized Lake bulk cargo ships and Lake oil tankers  
2 should still be able to obtain some of this business.  
3 I must confess I do not quite understand what you  
4 mean here, since I believe that the British and  
5 European yards have the same facilities and the same  
6 experience, or would get it very quickly, as the  
7 Canadian yards.

8 A. Well, what I mean there is, particularly  
9 the Lake yards have been specializing in building  
10 Lake freighters for a long time, and the yards are  
11 large and well equipped for it.

12 Q. Small boats?

13 A. No, big ones that can operate within  
14 the Great Lakes. That is what I was thinking of  
15 there. They may possibly be able to build bulk  
16 tankers and big ore boats. Therefore, I think with  
17 their experience in the business and with the ques-  
18 tion of the delivery time, they may get the odd <sup>foreign</sup> order  
19 for boats actually of that nature.

20 Q. Apart from the time of delivery ele-  
21 ment, do you expect that the Canadian yards can  
22 compete with, let us say, the U.K. yards?

23 A. Not on a cost basis, they could not  
24 do it.

25 Q. Even for their own specialized type?

26 A. Well, I would not like to commit  
27 myself exactly on that and say if the British  
28 eventually get experienced and can build these boats,  
29 they probably would take the trade.  
30





1 Q. Dr. Hope, if I may look also at this  
2 last paragraph 41 of your brief, we are left with,  
3 as work for the Canadian yards, the construction of  
4 Canadian barges and ferries, repairs to British and  
5 foreign ships, repairs and reconversions of Canadian  
6 naval, merchant and Government ships. Do you  
7 believe that this type of work should be sufficient  
8 to maintain efficient Canadian yards and particularly  
9 to keep this nucleus, which has been mentioned, for  
10 defence purposes?

11 A. Yes, I think it would. It would de-  
12 pend, of course, on your figures for a nucleus,  
13 how large a nucleus you want.

14 Q. If I may come to the defence purposes  
15 and naval purposes, very skilled labour is required  
16 and that very skilled labour might not, as far as  
17 I understand, be required to build barges and ferries  
18 or repair merchant ships of Canada, whether they  
19 be foreign or Canadian.

20 A. Well, this question of highly skilled  
21 labour -- skilled labour in the shipbuilding indus-  
22 try -- I do not know just how skilled it has got  
23 to be. I am suspicious it is a bogey man because  
24 it is used all the time. "Skilled labour in the  
25 shipyards". "Skilled labour". Building a ship,  
26 as I understand it, is a re-assembly job. It is  
27 true you have electricians and men like that. There  
28 are lots of electricians in Canada. It is true  
29 maybe a naval architect is a highly skilled man.





1 That is somewhat different.

2 As far as skilled labour is concerned, I do  
3 not think that amounts to a hill of beans. In  
4 respect to the number of highly skilled labour in  
5 shipyards, I just cannot believe it. I have not  
6 had someone convince me, that would be proof to me,  
7 that there are certain types of skills required  
8 for building a ship which are not available in other  
9 industries. I noticed that this shipbuilding plant  
10 that burned down the other day at ---

11 MR. GERIN-LAJOIE: Q. In Lauzon?

12 A. Yes, I understand they build things  
13 apart from ships. They employ people in other types  
14 of work, that they are doing the same thing for the  
15 vessels ---

16 THE CHAIRMAN: That is just diversification  
17 in the yards. That is diversification from ship-  
18 building limited to something else, not the labour  
19 for shipbuilding.

20 A. I was questioning whether we have to  
21 have such a large number of highly skilled people.

22 MR. GERIN-LAJOIE: Q. I did not mention  
23 such a large number, just skilled labour. I was  
24 wondering if any skilled labour were to be re-  
25 quired to build barges and just repair ships? I  
26 understand, of course, this Commission has had  
27 some evidence that highly skilled labour was required  
28 for building certain types of naval ships.

29 A. As far as building a naval ship is  
30







1 concerned, my guess is to repair a naval ship you  
2 would require the same skilled labour. It would  
3 take the same amount of skill to repair a naval ship  
4 as it would to build a naval ship.

5 THE CHAIRMAN: Q. You spoke of this des-  
6 troyer escort. Have you seen any of them?

7 A. Only in pictures. I have not seen  
8 them with my eyes actually. I have seen pictures  
9 of them, yes.

10 Q. You could see a picture of the out-  
11 side of it. Did you ever walk into the control  
12 room?

13 A. No.

14 Q. It looks like a madman's dream of  
15 electrical wires; not thousands of feet, not tens  
16 of thousands, but hundreds of thousands of feet of  
17 electrical cable.

18 A. I think I read they had 300 miles.

19 Q. We have seen it, and I am sure that  
20 even a very skilled electrician would feel faint  
21 at the prospect of having the task of wiring that  
22 control room.  
23  
24  
25

26 (Page 4711 follows)  
27  
28  
29  
30





1           A.           Actually I understand that the amount  
2 of labour used in building a boat like that is not  
3 very great.

4           MR. GERIN-LAJOIE:   Is or is not?

5           A.           I don't think that the amount or actual  
6 number of men employed on the building of a destroyer  
7 like that is very great in numbers.

8           THE CHAIRMAN:   That all depends on what  
9 "very great" means.   350 is that at one time?  
10 I think 600 over from the beginning to the end.

11           MR. GERIN-LAJOIE:   That was a merchant ship,  
12 I believe, Mr. Chairman.

13           DR. HOPE:   It boils down to this, as I see it,  
14 whether or not the Maritimes Commission made a good  
15 estimate a few years ago, I don't know, but assuming  
16 this 7,000 men was not too far out of line --

17           MR. GERIN-LAJOIE:   Q.   That was some years ago?

18           A.           Yes, some years ago.   We do not think  
19 today that that would be reached even with the  
20 restricted items that you have mentioned, in other  
21 words the repairs and reconversions, number 4, it is  
22 going to increase very rapidly.   Now, we made a  
23 calculation, I don't know whether --

24           Q.           Before coming to this, Dr. Hope, may I  
25 refer you to page 11 of your brief.   You refer to  
26 the NATO agreement and the allocation of merchant  
27 vessels in time of war or emergency.   Don't you  
28 feel that if Canada wished to have a number of  
29 merchant ships, a fair number of merchant ships  
30





1 allowed to her for coasting trade, that is, internal  
2 purposes, as opposed to ocean purposes, Canada would  
3 be in a much better position, have a much stronger  
4 bargaining power if we had registered in Canada  
5 under the control of the Canadian Government, Parliament  
6 of Canada, a large number of merchant ships.

7 A. Well, there are two parts to that, the  
8 first part, we do not admit that there will be a  
9 small Canadian coastal fleet if the restriction were  
10 not put on. The second point is this, and we heard  
11 some of the argument yesterday. We do not share that  
12 view. If this Seaway develops it will be one of the  
13 greatest arsenals for democracy we have ever built  
14 right here in North America. We will be sending  
15 food, ammunitions and supplies to Europe, Can you  
16 imagine any NATO group agreeing that they should  
17 restrict the number of ships going from Canada?  
18 It would just be the very opposite. We are more  
19 liable to be favoured. Their very life would depend  
20 on how much wheat they could get from us, how much  
21 munitions and supplies. We don't have to worry  
22 about the ships won't be there if we don't build  
23 them. The world's trade has to be carried and if  
24 they cannot get our ships somebody else will build  
25 them, and unless they are owned by Russia they will  
26 be NATO power ships.

27 Q. I imagine. I am talking of the number  
28 of ships which would in such circumstances ply the  
29 St. Lawrence River and the Great Lakes. Suppose you  
30







1 had a thousand ships to allocate between the NATO  
2 powers. Don't you think Canada would have a much  
3 stronger bargaining power if it had, let us say, a  
4 hundred instead of seventy-five?

5 A. I don't think it is a question of  
6 bargaining power.

7 THE CHAIRMAN: Do you feel the people that  
8 allot the ships, the committee, will regard the  
9 continuance of transport in the Lakes as one of the  
10 most vital matters in which they can allocate and will  
11 take care of it not last but first?

12 A. That is right, that is my argument.

13 Q. There is in addition to that another  
14 very serious problem. Suppose they are not in the  
15 Lakes? It is one thing to allocate and another thing  
16 to get them there.

17 A. If they don't happen to be there?

18 Q. Yes.

19 A. They would be there within a week.

20 Q. They would be there within a week how,  
21 because I believe a very small percentage succeeded  
22 in getting where they wanted to get during the last  
23 war.

24 A. What I am getting at, in the Montreal traffic  
25 there will always be enough ships in the Lakes to  
26 carry the trade whether Canadian, American, foreign  
27 or British.

28 Q. There would not be a great many ships  
29 in the Lakes on this basis of allocating the ships  
30





1 come the 15th of March: they would be out on their  
2 ocean trade; and if they are out on their ocean  
3 trade and could not get in, firstly because of the  
4 ice and later because of submarines, despite all the  
5 goodwill in the world as to NATO agreements, they  
6 will not be able to be here.

7 A. That is assuming again, of course, the  
8 boats do not ply from the Lakes.

9 Q. Then if your first point is that we  
10 still will continue to have a large Canadian land-  
11 locked fleet then that ends the argument; but if  
12 there is anything to this possible argument, isn't  
13 there a grave danger that the ships will be out in  
14 the winter time and cannot physically get back in?

15 A. Of course I think that is a strong  
16 argument, sir, because I am inclined to think that  
17 the dual purpose boat can never be a big factor in  
18 the lakes. I admit now and again someone will come  
19 in and do part of this work and maybe it is a good  
20 thing. However, for that reason to say they can be  
21 a dominant force I think is a little imaginary.

22 Q. That comes back to what you said that  
23 15 or 20 boats could not materially affect the rates.  
24 We have had the statement made that one single ship  
25 coming in and offering to take grain cargoes at less  
26 than the others would encourage rates down to that?  
27

28 A. Now and again. We have the same thing  
29 in agriculture, we will have somebody who claims  
30 that somebody comes along and busts the market wide





1 open.

2 Q. If it was done with one laker, all  
3 over with the upper lakers that is to say?

4 A. That is right. My suspicion is this.  
5 As a rule when this situation arises the market is  
6 probably ready to break. It is probably a very  
7 large supplier anyway of some product and for a  
8 while the market has been held up and finally it  
9 breaks. Someone has to be the goat, as it were,  
10 to start the thing and he gets blamed for the entire  
11 situation but actually it is based on the heavy  
12 weight of supplies, possibly, that is coming in and  
13 one big unit may start it and he gets the blame. In  
14 all probability the weight of the market would decide  
15 the price should be down. I do not see myself how  
16 one firm can permanently displace what would keep the  
17 price level low. Otherwise there is no advantage in  
18 its size. They get an advantage in size from reaping  
19 greater rewards than the typical small firm.  
20

21 MR. GERIN-LAJOIE: Q. Dr. Hope, on page 11  
22 you refer to the United States experience and that is  
23 of some importance to this enquiry, particularly in  
24 view of the subsidy policy in force in that country.  
25 On page 14 you mention particularly, in paragraph 60,  
26 that American experience seems to indicate by far  
27 the highest cost ship building in the world and the  
28 highest cost of shipping operation in the world. Do  
29 you believe that this high cost is the result of  
30 the American subsidy policy to a large extent or







1 could it not be only the reflection of the high cost  
2 of American labour and American production costs,  
3 comparatively to European?

4 A. I would say that it is a question of a  
5 combination of both. You could not say it is entirely  
6 due to the subsidy policy, nor would you say it is  
7 entirely due to their own internal cost structure.

8 Q. Can you say how it could be the subsidy  
9 policy, how the subsidy policy could have such an  
10 effect?

11 A. Well, it has an effect because if it  
12 reduces the competition from cheaper lower cost  
13 people outside entirely, then there is more chance  
14 that part of that high cost would be due to lack of  
15 competition, but certainly it would not all be that  
16 by any means.

17 Q. I quite appreciate that but there would  
18 still be competition among American ship builders  
19 and also competition between American ship builders  
20 and foreign ship builders, because I understand that  
21 the subsidy system takes foreign costs into --

22 A. They try and take the difference  
23 apparently, and with rising costs presumably there is  
24 a lag there and it does not seem to work out. They  
25 are always chasing their tail on it, I suppose.  
26 They are in competition with their own railroads.  
27 You see, in the United States they have a very much  
28 larger coastline than we have. I should not have  
29 mentioned this before the Commission but the amount  
30





1 of coastal shipping on the Pacific coast, for instance  
2 in the United States is very small for a long coastline.

3 THE CHAIRMAN: On the Atlantic coast they ship  
4 potatoes from Maine to Florida by railroad instead  
5 of by boat.

6 A. For some reason or other the railroads  
7 and the trucks in the United States seem to have a  
8 pretty good proportion of traffic, which is rather  
9 surprising when nature gave them so much waterway.  
10 It may be partly due, we would suspect and perhaps  
11 we are just guessing maybe a bit, but we suspect it  
12 is probably due to the fact that their coastal  
13 shipping is a relatively high cost shipping.

14 MR. GERIN-LAJOIE: Q. Of course it is  
15 difficult to put our finger on the real reason.

16 A. Exactly.

17 COMMISSIONER WICKWIRE: Plus the fact that  
18 they have good highways too.

19 A. They have good highways, yes, it is  
20 true, very good highways.

21 THE CHAIRMAN: And a tremendous network of  
22 railroads.

23 A. Although trucks do not pay their costs  
24 on the highways.

25 MR. GERIN-LAJOIE: Q. It may be that operating  
26 railroads is cheaper in the United States in view of  
27 the higher volume of traffic on rail than we have in  
28 Canada.

29 A. I believe it is dearer. I think their  
30





1 freight rates are higher. Certainly they are higher  
2 on grain.

3 Q. I am afraid I am not in a position to  
4 discuss this point. There was a less important point  
5 on which I should like to ask you a few questions,  
6 Dr. Hope, and that is your estimate of the tonnage  
7 of construction to be undertaken in Canadian yards  
8 if we were to reserve the coasting trade to Canadian  
9 built ships. You have figures on page 18 and then  
10 you divide that figure by five years, assuming that  
11 all that work would have to be undertaken during a  
12 five year programme. Would you feel it unreasonable  
13 to spread that work over a ten year period? It would  
14 change the picture entirely.

15 A. I would not think it unreasonable at all,  
16 and I think we mention in a further paragraph that it  
17 is true that the five years is an extreme case.  
18 Judging by the simple, arithmetical age brackets we  
19 expect we should be turned over in five years. In all  
20 probability it would be expanded if they did this,  
21 likely it would.

22 Q. May I refer you, Dr. Hope, to the  
23 testimony of Mr. Lowery before this Commission in  
24 Montreal, and if I am correct Mr. Lowery spread the  
25 programme on a ten year period and arrived at an  
26 estimated tonnage of new building of 73,000 tons  
27 a year.

28 A. Then our estimate here on ten years  
29 would be 83.  
30







1 Q. So that would be an entirely different  
2 figure, of course, than the one you envisage if the  
3 programme were to be completed within a five year  
4 period?

5 A. Yes. Our five year period was 183.  
6 In ten years it would be half of that, it would be  
7 91, and his estimate was how much, 73?

8 Q. If I remember correctly it would be 73.  
9 Of course that may have been a minimum.

10 A. Did he take into consideration the  
11 normal expansion of at least three percent per annum  
12 in the total trade whilst this building was going on?

13 Q. Yes, Mr. Lowery considered a certain  
14 expansion which was higher than 3 percent actually.

15 A. There are two things here. One is the  
16 normal expansion of trade anyway without any Seaway,  
17 that should be at least 3 percent per annum. In  
18 addition to that you have got the impetus from the  
19 Seaway itself which quite conceivably may be up to  
20 a third within five or six years. So I have taken  
21 both those into consideration plus the replacement  
22 factor.

23 Q. Let us not argue on those figures.  
24 Yours is, over a ten year period, about 90,000 tons?

25 A. Yes.

26 Q. So if Mr. Lowery's is 73 and that may  
27 have been only a minimum and not maximum, do you  
28 think any of these figures would be a source of  
29 disruption in the Canadian yards for the period  
30





1 following that programme?

2 A. Yes, because after that ten years the  
3 next ten years will almost be nothing, very, very  
4 little, because if you are going to extend this to  
5 ten years why wouldn't you extend the normal life  
6 of ships in the Great Lakes you built from 1931  
7 to 1940 which is a mere pittance, 14,000 tons,  
8 something like that, no matter how you work.

9 Then, there has been a cycle in building ships,  
10 a very drastic cycle. I suppose you could plan it  
11 if you had some kind of controlled economy, you  
12 might be able to plan by definite controls, but in  
13 a free system you would reach a point where for the  
14 first ten years the building would be very, very slack.  
15 Meanwhile, of course, you boost yourself up.

16 COMMISSIONER BELANGER: Will the cycle be  
17 less if there is U.K. competition?

18 A. Yes.

19 Q. How?

20 A. Because if there were U.K. competition  
21 in all probability most of the ships would be built  
22 in Britain. Therefore we could not possibly come  
23 to as high a peak of activity, and when it came to  
24 a low we would not fall any lower than if we --

25 THE CHAIRMAN: You mean you can't fall  
26 lower than the bottom?

27 A. That is perfectly correct. You could  
28 not fall lower than that, lower than the limit of  
29 ships built in 1930 to 1940, but the extreme peak  
30





1 would be depressed something less, scattered around  
2 the world maybe and we wouldn't have any likely.

3 But even with the ten year programme of  
4 90,000 tons a year, that would be quite a stimulus,  
5 a big stimulus in fact, after a number of years;  
6 and the fact of the matter is that even if you spread  
7 it over ten years you would not get any plan of 70,  
8 80 or 90 thousand tons a year for ten years, it would  
9 not work out that way. It would start off at that  
10 same level, get up to 120 or 130 and then down again.  
11 In other words, in this ten year period you are going  
12 to have at least two-thirds arise from extra stimulus,  
13 and the inevitable reaction is going to be, without  
14 a doubt, as I see it, a further demand on the  
15 Government later on to keep these people employed, to  
16 keep them up to the 30,000 employees, 25,000. In a  
17 few years time it goes down to 15,000. What will  
18 happen then? The same thing that is happening today,  
19 the shipyards are dying.  
20

21 COMMISSIONER BELANGER: So you prefer  
22 continuous depression to a period of cycles?

23 A. No, I would not agree with that state-  
24 ment. I would not call it continuous depression.  
25 I would call it a moderate sized labour force with  
26 relatively small fluctuations, perhaps between eight  
27 and nine thousand men continuously employed, but not  
28 necessarily continuously employed in building a lot  
29 of ships. I think that would be better in the long  
30 run than to have, say, 20,000 men employed for a







1 certain number of years and then going down again.

2 THE CHAIRMAN: But your cycle is blunted  
3 if you extend that five year period to ten, it might  
4 even be extended to ten. I see there are still some of  
5 them over 55 years of age. I think we saw one 72  
6 years of age still afloat and at work.

7 A. Oh, yes, the cycle would be blunted in  
8 view of that.

9 Q. The chief evil of it is the sharp  
10 nature of the fall down from the cycle, so if it is  
11 blunted, that evil --

12 A. I would suspect that if the cycle were  
13 lengthened to ten years so that the average building  
14 would amount to 90,000 tons a year for a ten year  
15 period, that there would be years within the ten  
16 years when the building might be possibly up to  
17 120,000 tons and that would be quite stimulating.

18 Q. You must also remember that if there  
19 is a restriction ship owners are neither presented  
20 with the many millions of dollars which would be  
21 necessary to go out and replace their ships, even  
22 if those ships are at times obsolete. They have  
23 to plan their operations economically and gradually  
24 replace their fleet. It is not always the oldest  
25 falling within a certain class. There is a great  
26 deal of size-class here too. It might replace seven  
27 ships with only one or even at the most two. The  
28 next year they might have two further to replace  
29 with two, one of half again the capacity.  
30





1           A.       That argument would be intensified,  
2 sir, if they had restrictions because it would cost  
3 these people 40 percent more to buy their ships.

4           Q.       40 40 percent?

5           A.       Well between 30 and 50, as I understand  
6 it, judging by the estimate made that if you build  
7 a ship in Britain for a million dollars it might  
8 cost \$1,400,000 in Canada.

9           Q.       We have heard those estimates and the  
10 actual exact figures we got are 100 percent.

11           COMMISSIONER WICKWIRE: At least 100 percent.

12           A.       That makes it worse still.  
13  
14 THE CHAIRMAN:Q.You have got practically the same  
15 result with an actual test in both coasts.

16           A.       If it is 100 percent the tendency  
17 would be to keep obsolete ships in Canada which  
18 would mean higher freight rates.

19           Q.       There is a tendency to keep obsolete  
20 ships for that particular purpose.

21           MR. GERIN-LAJOIE: Q. Dr. Hope, this is the  
22 final point I should like to cover. Would you pursue  
23 the line of argument developed in your brief to the  
24 extent of suggesting that the coasting trade of  
25 Canada should be open to foreign, as distinct from  
26 British, built and registered vessels?

27           A.       Well that question was raised at our  
28 Board of Directors meeting. They were in favour of  
29 British competition, they were not in favour of all  
30 foreign competition. What they decided is, in their





1 view they thought perhaps the difference between  
2 foreign costs of building a ship and the operating  
3 costs was not such a big difference. Therefore we  
4 would have sufficient competition with British ships.

5 The additional factor is, we are very anxious  
6 to have Great Britain earn Canadian dollars, and maybe  
7 that was one of the strongest factors. We are not  
8 particularly interested in Panama dollars or Mexican  
9 dollars or other countries earning those dollars, so  
10 much as we are in Great Britain earning Canadian  
11 dollars. We felt that if we are going to have a  
12 competition it would be better to have it with Britain  
13 and then allow her to get all the benefits she can  
14 from us to help trade in the long run. That was  
15 really the basis of what the Board of Directors  
16 thought.

17 Q. Don't you think dollars earned by other  
18 countries would help such other countries to buy  
19 Canadian products, Canadian goods, as well as Britain?  
20

21 A. Well, yes, indirectly through three-way  
22 trade, I suppose, but I suppose as far as farmers  
23 are concerned maybe we are selfish and we look upon  
24 Great Britain as our best market for our products in  
25 the long run. She takes most of the imports of food  
26 in the world, far the biggest one; big importer of  
27 fish, raw materials from Canada. We feel that we  
28 would like to sponsor that trade more, perhaps, than  
29 some other countries which would not handle the same  
30 products, would not take the same volume.







1 MR. GERIN-LAJOIE: That is all, Mr. Chairman.

2 MR. JACKSON: May I ask a few questions,  
3 Mr. Chairman.

4 THE CHAIRMAN: Yes.

5 MR. JACKSON: Gilbert Jackson, appearing for  
6 the Canadian Ship Builders Association.

7 Q. Dr. Hope, as a witness you have  
8 expressed certain opinions to the Commission, but  
9 again as a witness you come here basically because  
10 you have made a careful study of the facts and you  
11 are familiar with the pattern of shipping on the  
12 Great Lakes and the types of ships used. Would you  
13 tell the Commission with what shipyards you are  
14 acquainted?

15 A. I am not acquainted with any shipyards.

16 Q. You have never seen a ship being built?

17 A. Seen a ship - yes, I have seen ships  
18 being built, just in the very indirect way out in  
19 Vancouver.

20 Q. In shipyards?

21 A. Well, just around the edge of the  
22 shipyards. I did not go into detail and examine it.

23 Q. I did not mean that you had a long range  
24 view of a ship which was obviously under construction,  
25 but have you never seen a ship being built?

26 A. No, never have.

27 Q. Yet you have opinions on the degree of  
28 skill that is involved in the building of a ship?

29 A. Yes, I have.  
30





1 Q. You spoke some little time ago about the  
2 upper lakers as being big ships and the Canadian  
3 ship builder as being a specialist in the building of  
4 big ships because he created these upper lakers. In  
5 terms of world shipping on the high seas would you  
6 describe the upper laker as a big ship?

7 A. Big in terms of carrying tonnage of  
8 bulk cargoes, I would say she is a very big ship.

9 Q. Are you prepared to state that the  
10 upper lakers being very big ships carry a larger  
11 cargo than the average freighter on the high seas?

12 A. Yes, the typical freighter, as I  
13 understand it, on the high seas carries about 9,000  
14 deadweight tons, or the ones that come into Montreal  
15 are much less than that. As I understand it the big  
16 laker can carry double that or three times, double  
17 that anyway.

18 Q. Is it not a specific average? Have you  
19 examined figures ---

20 A. For the average sized cargo you mean?

21 Q. Yes. When you say that a laker is a  
22 big ship, have you looked --

23 A. I am referring to the more recent modern  
24 lakers only.

25 Q. Quite.

26 A. Not the average of all lakers, no.

27 Q. When you say that the modern upper  
28 laker is a big ship, do you make that statement in  
29 the light of your knowledge as to what is a big ship  
30





1 on the high seas? Have you looked up the tonnage of  
2 shipping constructed say, last year or the year before,  
3 and do you know the number of ships completed and have  
4 you found out what is the average size of a ship?

5 A. I have examined the tonnage of ships  
6 coming into the City of Montreal, for instance, which  
7 is a good world port, and I suspect that they average  
8 about 4,000 gross tons.

9 Q. You are sampling the world shipping by  
10 looking at ships in Montreal?

11 A. Well no - yes, I would say that Montreal  
12 is considered one of the world's great seaports, and  
13 it is probably, it is a sample of the kind of shipping,  
14 I suppose in the world.

15 Q. And do you know the limit of tonnage  
16 that is imposed by present physical conditions on  
17 the Port of Montreal?

18 A. No.

19 THE CHAIRMAN: Is there any similar limit in  
20 New York City?

21 A. Well, I don't know, sir.

22 Q. I haven't heard of any. I have seen  
23 the port and I understand that 90 percent of the  
24 ships coming into the city are freighters, coming  
25 into New York city, average between 9 and 10 thousand  
26 tons.

27 A. That would be a large ocean going  
28 boat.

29 MR. JACKSON: If I may return to my last  
30







1 question, do you know the limit of size imposed on  
2 ships coming into the Port of Montreal?

3 A. No.

4 Q. You did not ascertain that before you  
5 took the Port of Montreal as a sample?

6 A. No.

7 Q. You have said that the present canals  
8 do not allow ships of more than 3,000 tons to come up  
9 from salt water to take part in our coasting trade.  
10 other  
11 Do you know that/ British vessels are coming up and  
12 taking part in international trade in the Great Lakes?

13 A. Yes, I do.

14 Q. So that Britain has two sources of  
15 dollar earnings by means of ships in the Great Lakes,  
16 the dollars she can earn in the coasting trade and  
17 the dollars she can earn in the international trade.  
18 That is the case, is it?

19 A. Yes, she can earn dollars from coasting  
20 trade and international trade in Canada, yes, foreign  
21 trade.

22 Q. But being restricted in both cases to  
23 ships of only 3,000 tons, of course her capacity for  
24 earning such dollars, either in the coasting trade  
25 or on the Great Lakes or in the international trade,  
26 is very small.

27 A. The present capacity, you mean?

28 Q. Present capacity.

29 A. It is not very large, no.

30 Q. Do you know what these ships earn in





1 the way of dollars for Britain?

2 A. That is a very interesting point, sir.  
3 I have got in touch with the people in Ottawa and no  
4 government official can tell me. No Canadian govern-  
5 ment official can tell me. I spoke to the Export  
6 Balance of Payments in Ottawa and they said, "We have  
7 no official figure of what British ships earn in  
8 coasting trade" -- could not tell me.

9 Q. But we agree the figure must be small?

10 A. I made some estimate myself of  
11 \$4 million.

12 THE CHAIRMAN: On coasting trade?

13 A. Yes, maybe I am high. If you threw in  
14 some repair work it would certainly be \$4 million.

15 Q. It has to be pretty serious damage  
16 before they do any repair work on this side.

17 A. They get repair work. There is almost  
18 2,000 ships a year repaired in Canadian yards and we  
19 only have a few thousand listed of our own, so unless  
20 our own boats are being repaired about three or four  
21 times a year they are repairing a lot of foreign boats.

22 Q. That has happened.

23 A. I don't say they are but ~~but~~ somebody is  
24 getting the business and they cannot be Canadian.

25 Q. We just came up the St. Lawrence  
26 a while ago and there was one in and one coming in  
27 to Lauzon and one in at Vickers so that was three  
28 in the St. Lawrence.

29 A. I think maybe some of our boats get  
30





1 repaired maybe twice during the year.

2 MR. JACKSON: Q. Dr. Hope, you told us  
3 yesterday that when the St. Lawrence canals have  
4 been deepened then the 3,000 ton vessels are going  
5 to be replaced by vessels of perhaps 9 or 10 thousand  
6 tons, so that the characteristic U.K. ship coming in  
7 to these waters would be quite different from what  
8 it is now; and if the coasting trade is not restricted  
9 Britain may expect to get considerably greater dollar  
10 earnings by this means on the Great Lakes than she  
11 got before?

12 A. I don't think I made that statement,  
13 sir.

14 Q. No, I am asking you if that is a fair  
15 inference. If the 3,000 ton ship is going to be  
16 replaced by the 9,000 ton ship, and if the coasting  
17 trade is not going to be restricted, then Britain  
18 will earn more dollars than before from that particular  
19 source.

20 A. Some more but it could not be a  
21 spectacular difference. She usually drops stuff off  
22 at Montreal today. She might carry on some to Toronto,  
23 to Hamilton and there will be some gain, but I do  
24 not see it would be a very spectacular gain.

25 Q. I quite agree with you there. On the  
26 other hand you told us yesterday that it was an  
27 important enough prospect of gain so that the  
28 Commission must not interfere with the prospect of  
29 gain by restricting the coasting trade when the  
30







1 canals have been deepened.

2 A. Yes.

3 Q. It is important enough for the  
4 Commission to need to take the consideration seriously,  
5 even if it is not a figure of a great many millions  
6 of dollars.

7 A. Yes, that is true.

8 Q. This deepening of the canal and the  
9 trebling, or whatever it was, of the size of the U.K.  
10 ship coming up into the Great Lakes, does it hold out  
11 a prospect for the British ship engaged in foreign  
12 trade coming into the Great Lakes, for earning more  
13 dollars in the Great Lakes than now can be earned in  
14 the foreign trade with a little 3,000 ton ship? Does  
15 the reasoning apply there?

16 A. That is, with larger ships, say 9,000  
17 ton ships coming in vs. the 3,000 ton coming in, would  
18 the 9,000 ton one earn perhaps more Canadian dollars?

19 Q. Yes, more dollars.

20 A. More dollars, I would suspect it would.

21 Q. So that we can infer that both in the  
22 coasting trade, if the U.K. ship remains in it, and  
23 in the foreign trade in the Great Lakes, the U.K.  
24 ship owner should earn more dollars than before after  
25 the canals have been deepened?

26 A. Yes.

27 Q. And the increased earnings in the foreign  
28 trade are a certain prospect for the British ship  
29 owner, can we draw that inference also?  
30





1 A. Increase in foreign trade?

2 Q. British vessels coming into the Great  
3 Lakes and carrying British goods to Chicago and  
4 carrying American goods back to Britain or to Hamburg  
5 or to somewhere, if a ship three times larger coming  
6 from the United Kingdom into Canada's coasting trade  
7 is going to earn more dollars than the little ships  
8 do now, would it be reasonably safe to conclude that  
9 the ships three times larger coming into the Great  
10 Lakes in foreign trade will earn more than the little  
11 3,000 ton?

12 A. I would suspect that.

13 Q. That would be a safe doctrine too?

14 A. Yes.

15 Q. So that the ship owner on the St.  
16 so far as it affects  
17 Lawrence waterway, the biggest trade in the Great  
18 Lakes will increase Britain's supply of dollars once  
19 the larger ships can come in?

20 A. Yes.

21 Q. And if the Commission were to recommend  
22 reservation of the coasting trade and the government  
23 were to restrict the coasting trade to Canadian built  
24 vessels of Canadian registry so that U.K. ships were  
25 excluded from the coasting trade of Canada in the  
26 Great Lakes, the loss of this small amount of dollars,  
27 as you conjecture the sum would be, which they earn  
28 in the coasting trade in the Great Lakes, a loss of  
29 that small amount in dollars would in any case be to  
30 some extent offset by the very increased dollar





1 earnings in the foreign trade?

2 A. That is right.

3 Q. From the Great Lakes?

4 A. That is correct.

5 Q. One prospect, you will agree, the U.K.  
6 vessel has, will then be to pick up a grain cargo,  
7 shall we say, at Fort William and carry that grain  
8 cargo straight to the Rank mill at Southampton instead  
9 of having it trans-shipped at Montreal?

10 A. I suspect there would be very little of  
11 that trade, very, very little.

12 Q. All I wish to establish, that there  
13 will be two alternative methods of bringing grain  
14 from Fort William to Southampton: one by bringing  
15 it on some vessel or other down to Montreal, shall  
16 we say, and trans-shipping it at Montreal to ocean  
17 steamer; the other, shipping the grain in Fort  
18 William on to one of these 9,000 or 10,000 ton ships  
19 and having the ship then go straight down the Great  
20 Lakes, straight down the St. Lawrence, across the  
21 Atlantic and unload at Southampton?

22 A. Yes.

23 Q. You regard the two-stage journey of  
24 grain as being the more probable journey?

25 A. I think so.

26 Q. You don't see much likelihood that  
27 the U.K. vessel will make the long single voyage from  
28 Fort William, 2,000 miles in from the ocean, and take  
29 it right out to sea and cross in one passage to Britain?  
30







1 A. No, I would not suspect there would be  
2 much of that trade.

3 Q. If the grain is being trans-shipped at  
4 Montreal there is, of course, a charge for trans-  
5 shipment, the cost of trans-shipment?

6 A. That is right.

7 Q. And possibly the cost of storage?

8 A. If it stays there any length of time.

9 Q. Are you suggesting to the Commission  
10 that it would be cheaper then by not less than the  
11 cost of trans-shipment, to carry grain in two stages  
12 from Fort William to Montreal, and then from Montreal  
13 to Southampton, than it would be to carry the same  
14 grain without trans-shipment straight from Fort William  
15 to Southampton?

16 A. The answer is not quite as simple as  
17 that, it is more complicated. That boat coming from  
18 Britain would have what cargo from Montreal to Fort  
19 William? She would be empty most of the time, or very  
20 light and travelling a long way with no pay cargo at  
21 all. Competition would be tough and stiff from a  
22 Canadian boat, say, which has carried ore to Lake  
23 Erie and has gone empty for a while and then they are  
24 up to Fort William. As we mentioned before, there is  
25 far more traffic going up than down. Then lake freight:  
26 from Fort William to Montreal would be very cheap, very  
27 low, would be just an out-of-pocket expense probably.

28 Therefore, that boat would have to meet that  
29 kind of competition, so that the ship master or the  
30





1 shipping agency would say: "Now, is it better to  
2 stop at Montreal and pick up this cargo for a trans-  
3 shipment charge of 30 or 35 cents and take it back  
4 to England, or is it better to go empty to Fort  
5 William and go on down". The shipper then pays  
6 the cost of Montreal trans-shipping.

7 Q. Is it going back empty from Montreal?

8 A. To where?

9 Q. Empty to Fort William?

10 A. The British ship would, in some cases  
11 it would.

12 Q. You don't say British or U.K.

13 A. I mean the ship coming in from overseas  
14 stopping and unloading at Montreal, perhaps some at  
15 Toronto, Well, When it does that trip, to get cargo  
16 back to Fort William. I suggest there would be very  
17 little stuff coming from Toronto to Fort William.

18 Q. Is Fort William the only port on the  
19 upper lakes which the British vessel coming up could  
20 use?

21 A. I cannot conceive of much grain going  
22 from Bay ports any more. Why would they want to go  
23 to the Bay ports?

24 Q. Nobody has suggested that they would  
25 wish to go to the Bay ports. I am not talking about  
26 the British vessel that somehow found its way to Fort  
27 William in search of grain cargo. You have said that  
28 the British vessel probably would not come to Fort  
29 William because it would come empty. I am asking  
30





1 whether there are ports in the upper lakes too that  
2 the British vessel might bring a cargo to, then bring  
3 itself with a pay load somewhere in the neighbourhood  
4 of Fort William, then probably be able to slip across  
5 to Fort William and take a chance on getting a grain  
6 cargo from an American source, without a cent of  
7 trans-shipment, to Southampton.

8 A. I am not thinking of a carry back at  
9 all. I am thinking of Hamilton which is not very  
10 far, in the lake itself. Bay ports would be no good,  
11 because there was not any traffic unloaded at the  
12 Bay ports. I cannot conceive of any load taking off  
13 at Collingwood in a ship like that.

14 THE CHAIRMAN: But Sarnia, Detroit, Chicago,  
15 what about them?

16 A. They might come to an American port, yes.

17 MR. JACKSON: Q. So a British ship would bring  
18 a cargo to Detroit, or better from its point of view,  
19 to Chicago or even on to some part further up than  
20 Chicago, and then it would appear in Fort William and  
21 seek a grain cargo to take back.

22 A. May I say it would have to be competing  
23 with a large boat at cost.

24 Q. You mean the large boat is not carrying  
25 the grain at a profit?

26 A. The large boat, no, would not carry,  
27 I don't think, if there is a lot of boats competing  
28 and the more boats going up than coming down, then  
29 the rate in carrying grain would be just down to  
30







1 rock bottom.

2 Q. I am asking the question about normal  
3 conditions. I am not looking at abnormal conditions  
4 when I put that to you. Have I your statement that  
5 under normal circumstances the large vessel taking  
6 grain from Fort William does not make a profit?

7 A. I would suspect it would not for this  
8 reason.

9 THE CHAIRMAN: Does not or will not? You are  
10 speaking of a situation after the Seaway, of course,  
11 when there will be an upper carriage of ore.

12 A. Yes, it will start off probably with  
13 10 million tons a year and from what we can read about  
14 this particular development it will be close up to  
15 20 million tons a year of ore alone. The total  
16 amount of grain you move down we had and it is going  
17 to be  
18 /about eight or nine million tons, so it is only half  
19 of the grain to move down as there is ore. If a good  
20 deal of this ore is carried in Canadian boats, certainly  
21 that  
22 the boats/will carry both ore and grain will have to  
23 be Canadian so that you can see that the amount of  
24 profit on boats available to take down grain will  
25 always be pretty well in surplus. Therefore, the  
26 rates will consistently be low.

27 MR. JACKSON: Q. Are you talking of the  
28 future rather than of the past, we should expect  
29 that grain will be moved across at cost, Fort  
30 William to Montreal?

A. Yes.





1 Q. It will be cheaper, even with the trans-  
2 shipment cost than shipping grain all the way direct  
3 to Southampton?

4 A. And if we should build an elevator at  
5 Seven Islands, another three days down the river, it  
6 will be cheaper still, and this British boat that  
7 brings in a cargo and cannot unload at Seven Islands  
8 will have to unload at Montreal. No, I am thinking  
9 of back track, that would not work out, because that  
10 same British boat to take ore would have to back track  
11 this 300 miles to pick up the ore.

12 Q. I am sorry, the reporter may have  
13 followed this but I have not. The British ship is  
14 coming up the river and it back tracks from somewhere  
15 to Seven Islands to pick up the ore?

16 A. I am thinking of a different situation,  
17 it is not that situation you are talking about. You  
18 are talking about the British boat which is not taking  
19 ore.

20 Q. I am talking about the British ship  
21 having had to call in the upper lakes, it is going to  
22 Fort William offering itself for grain cargo at  
23 Fort William, and you are saying that after the  
24 opening of the Seaway circumstances will compel the  
25 grain carriers to carry grain at cost down from  
26 Fort William to Montreal?

27 A. Yes.

28 Q. Pretty nice prospect for the Western  
29 farmer, don't you think?  
30





1           A.     Very good. That is why I would like  
2 the Seaway.

3           Q.     And that being the case, what ground do  
4 you then have for apprehension that lack of competition  
5 will put up the rates on carrying grain down the lakes?

6           A.     Well, I don't know whether specifically  
7 grain actually in that context, but the mere fact  
8 that we have stated that there will be probably some  
9 boats trying - the thing that you are mentioning -  
10 some trying it from time to time and under certain  
11 circumstances, there will be boats coming in and it  
12 will add to the competition, there will be more of it  
13 trying to get this grain.

14           The mere fact that more are competing will  
15 tend - no one can say exactly - will tend to keep  
16 those rates down, give it more of a guarantee that  
17 they will be down.

18           So by the same token if these costs are going  
19 to be so low, why should we restrict them?

20           Q.     What I am trying to do, Dr. Hope, is  
21 to tie together two parts of your testimony. This  
22 part of your testimony appears to say that the grain  
23 will be carried at cost down to Montreal or whatever  
24 it may be. Your earlier testimony said the coasting  
25 trade must not be restricted because if it is  
26 restricted the Canadian lake carriers will maybe make  
27 exorbitant charges within the limits imposed by  
28 government authority, unnecessarily larger charges  
29 for the carriage of grain.  
30







1           A.       By the word "unnecessary" we meant  
2 rates which would be higher than they necessarily  
3 would be with competition.

4           Q.       In other words, with competition they  
5 would be compelled to carry at cost and anything  
6 higher than cost is unnecessarily high?

7           A.       In that case, yes, because after all,  
8 the profit from a vessel comes not from just what  
9 it does in one short time.

10          Q.       It may make a profit on Monday,  
11 Wednesday and Friday?

12          A.       Yes.

13          Q.       And you could hire it on Tuesday,  
14 Thursday or Saturday?

15          A.       The complete round trip from Seven  
16 Islands to Lake Erie, up to Fort William and down  
17 to Seven Islands again, the complete round trip  
18 is a profit or loss to that ship. If, for part  
19 of that trip it is able to defray its cash operating  
20 cost and it is worth while doing it, and that I  
21 think is probably what will happen, if it is worth  
22 while doing it without that the loss would be  
23 greater or there would be a loss probably, but  
24 even if the ship gets out-of-pocket expenses it is  
25 worth while doing that and it will make its profit,  
26 we will say, probably out of hauling ore.

27          Q.       I merely want this point straight,  
28 sir, that the circumstances you are describing to  
29 us in some detail, are going to compel lake carriers  
30





1 to carry grain without cost down from Fort William  
2 which you agree would be a good thing for the  
3 western farmer?

4 A. Yes.

5 Q. That sums up what you said?

6 A. Yes.

7 Q. But you figured yesterday that if the  
8 coasting trade is not restricted the western farmer  
9 will have to pay too much for his grain to be  
10 carried?

11 A. The freight rates may be higher.

12 Q. The freight rates may be a higher cost  
13 and might yield some profit to the ship owners?

14 A. Yes. You see, it boils down to this.  
15 I do not think anybody or any group of people now,  
16 with all their brains together, can say exactly  
17 what this pattern will be, sir. Nobody can. Only  
18 time can really tell, but within the framework of  
19 allowing in freely ships from other nations like  
20 Britain, whom we know have lower costs of operation  
21 for certain things like wages and so on, we are  
22 going to increase the strength of competition.

23 You may say: Well, you have said that  
24 Britain's costs won't be any lower. Therefore why  
25 worry about it? Why not keep them out? But the  
26 fact is, we are not sure what the pattern will be.  
27 It will be very close between the two groups  
28 likely, and we put that argument up to offset the  
29 bogey, as the Chairman, I think, has described it,  
30





1 and it is a good word, that British ships will drive  
2 out and wreck and ruin Canadian coasting trade people,  
3 which is the extreme case.

4 We think the competition will be very close and  
5 there will still be plenty of Canadian ships, probably  
6 more than you have today.

7 So I cannot define it exactly, but we feel  
8 that with the freedom to operate and compete it is  
9 a guarantee at least that the traffic will be the  
10 lowest possible rate it could be.

11 Q. If with the trade restricted Canadian  
12 vessels are going down empty or carrying grain, the  
13 Great Lakers run cargoes coming upwards, are you not  
14 in the same position that they are going to be  
15 compelled to carry their grain at cost, carry your  
16 grain at cost down the lakes?

17 A. Up lakes, you mean?

18 Q. Down the lakes, grain from Fort William.  
19 You have described the prospective traffic which will  
20 be heavier going up lake than down, and you have said  
21 that is the reason why grain is going to be carried  
22 at cost down the lakes. Doesn't that reason apply  
23 to Canadian ships as to U.K. ships or any other  
24 ships?

25 A. Yes, it may well be, that that might  
26 occasionally be that through stiff competition,  
27 perhaps a little lower than the cost of the upper  
28 laker for a while. It is possible, some trips they  
29 might be actually lower for a while.  
30







1           Q.       I am not asking you to look at abnormal  
2 conditions. I am asking you to look at normal  
3 conditions and asking you if it would be normal,  
4 with the trade unrestricted, for the grain boats  
5 to be compelled by circumstances to carry the grain  
6 down at cost. Would it not be normal for it to be  
7 compelled by the same circumstances to do so even  
8 if the trade were restricted?

9           A.       Would you just put that question again?

10          Q.       If under normal circumstances the  
11 nature of the traffic up and down the Great Lakes  
12 with an unrestricted coasting trade, is going to  
13 compel the ship to carry grain without profit down  
14 from Fort William, would not the same circumstances  
15 compel the ship to carry grain down without profit  
16 even if the trade were restricted?

17          A.       Yes.

18                               (Page 4745 follows)  
19  
20  
21  
22  
23  
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25  
26  
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28  
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1 MR. JACKSON: Thank you.

2 DR. HOPE: But that still doesn't get around  
3 the point that with additional competition it may  
4 be even lower still.

5 MR. JACKSON: Would you like the grain  
6 carried by the ship owner at a loss?

7 DR. HOPE: I am trying to drive across that  
8 the profit of a ship is not by this completely  
9 circuitous trip, and the net total of the trip  
10 might be somewhat lower if that competition were  
11 there.

12 MR. JACKSON: I am not suggesting that you  
13 are trying to destroy the total profit of the ship  
14 owner, but you are looking forward to the circum-  
15 stances when the ship owner will be compelled to  
16 carry that particular kind of cargo at a loss,  
17 and would you like to point out the certainty of  
18 that by saying the trade is not restricted?

19 DR. HOPE: If you call loss in depreciation  
20 and in interest, but I still maintain in this case  
21 it is not loss, it is just out-of-pocket expenses.

22 MR. JACKSON: I only take the word "loss",  
23 sir, because you used the word "loss" yourself.

24 DR. HOPE: I couldn't have used it -- it is  
25 an incorrect statement or argument. First it will  
26 be the cash operating cost of the ship with any  
27 depreciation return, and any interest in the  
28 investment for that particular portion of the ship  
29 for the trip.  
30





1 MR. JACKSON: You told me some time ago you  
2 expected that they would have to carry it down  
3 without profit, which I suppose means on that  
4 figure, but a moment ago you said that circumstances  
5 might even arise when they would be compelled to  
6 carry the grain down at a loss, doesn't that mean  
7 at less than the cost of operation?

8 DR. HOPE: Sometimes we all have to do that.

9 MR. JACKSON: Now, sir, as a safeguard you  
10 would like to have the trade still unrestricted to  
11 make as certain as possible that not one unnecessary  
12 dollar is charged for the carrying of grain down  
13 from Fort William; you have told us that British  
14 vessels are going to find a way into the Lakes with  
15 cargoes in their holds to such ports as Chicago,  
16 Milwaukee, and so on, which are not too far away  
17 from Fort William, so that if the rates for carrying  
18 grain from Fort William were to rise, then because  
19 there are likely to be British vessels in the  
20 neighbourhood capable of carrying the grain from  
21 Fort William to Southampton ---

22 DR. HOPE: Occasionally they may do so, yes.

23 MR. JACKSON: They would be capable of  
24 doing so, they could offer for it, anyway?

25 DR. HOPE: Yes.

26 MR. JACKSON: Is it not a possibility that  
27 when grain rates rise to the point at which the  
28 ship owner can actually earn a profit on that  
29 particular shipment, that British or even foreign  
30







1 vessels in the Great Lakes can come to Fort William,  
2 engaged in foreign trade, pick up cargoes of grain,  
3 carry that grain to Southampton, Hamburg or any-  
4 where else, doesn't that automatically -- even if  
5 the existing trade is restricted trade -- set a  
6 limit on charges above which the Canadian ship  
7 owner engaged in the existing trade cannot go  
8 anyway?

9 DR. HOPE: That is if the foreign ships  
10 come in and they get into this business in a fairly  
11 big way?

12 MR. JACKSON: The foreign ships are going  
13 to come into the Great Lakes, we have established  
14 that, and they are going to come in in at least  
15 nine or ten thousand ton size, so if larger ships  
16 are going to come in from the high seas and these  
17 ships will carry cargoes up the Lakes and are  
18 going to discharge them at ports in the Lakes which  
19 are not exactly Canadian ports, they are going to  
20 be engaged in the foreign trade, but you have said  
21 they will be there to bid for cargoes from Fort  
22 William when the shipment of grain from Fort  
23 William reaches the stage where the ship owner  
24 can earn a profit, and I ask you this question;  
25 doesn't that situation which will exist anyway,  
26 and independent of the question whether or not  
27 the existing trade is to be restricted or not,  
28 doesn't that set an automatic upper limit on the  
29 charges that the Canadian ship owner engaged in  
30





1 coasting trade can make for carrying Canada's grain  
2 eastward?

3 DR. HOPE: Yes, I would suspect that  
4 additional competition would limit it.

5 MR. JACKSON: Thank you very much.

6 THE COMMISSIONER: Thank you very much, Dr.  
7 Hope. We will have a ten minutes recess now.

8 ---A short recess.  
9

10 THE COMMISSIONER: The Government of the  
11 Province of Alberta.

12 MR. MUNDELL: Mr. J.J. Frawley, Q.C.  
13

14 ---EXHIBIT NO. 162: Brief of the Government of the  
15 Province of Alberta.

16 SUBMISSION OF THE GOVERNMENT OF THE PROVINCE  
17 OF ALBERTA

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18 ---Mr. J.J. Frawley, Q.C., appearing.

19 MR. FRAWLEY: My lord and members of the  
20 Commission, I would first like to express the  
21 thanks of the Province of Alberta and my own  
22 thanks to the Commission for the courtesy extended  
23 to us in allowing us to make our submissions at  
24 this sitting. Due to a combination of circum-  
25 stances we didn't participate in the hearings up  
26 to this time, and the Commission didn't sit in  
27 our Province, so for that reason we are particularly  
28 appreciative of the fact that you have permitted  
29 me to come to these sittings and make this short  
30





1 statement to you.

2 THE COMMISSIONER: Well, Mr. Frawley, I think  
3 I should point out that we didn't sit in the Province  
4 of Alberta because we requested the Premier's  
5 opinion on that and he at that time found there was  
6 no necessity for it.

7 MR. FRAWLEY: And I am reiterating that, sir;  
8 it was certainly as a result of the position which  
9 we took at that time that you didn't sit, and as I  
10 say, we are all the more appreciative of the fact,  
11 notwithstanding that I have been directed to make  
12 this statement at this time and I am quite sure in  
13 view of the length of time you have been engaged  
14 on this job it would be practically inconceivable  
15 that I could say anything new at this time or say  
16 anything that you have not already heard. Neverthe-  
17 less, we are anxious for the opportunity of making  
18 a statement with regard to this very serious matter  
19 which you are now engaged upon.

20 I will not read my submission, sir, I will  
21 merely discuss it very briefly and I will first  
22 discuss what might be called the historical situation.  
23 Ever since Confederation, or ever since 1870,  
24 three years after Confederation, the existing law  
25 has been in force. In 1870 a statute was passed  
26 which said that no goods or passengers shall be  
27 carried by water from one part of Canada to  
28 another except in British ships. That has been  
29 the law of Canada for 85 years, and coming  
30







1 immediately to the position which I take we see  
2 no reason at all for a departure from that policy  
3 which has been part of our economy for 85 years,  
4 and we say that there is a great burden, a  
5 tremendous burden, on any interests in Canada that  
6 would seek to alter the law which has been accepted  
7 and has woven itself into our economy ever since  
8 Confederation.

9 Now, when Canada became a nation in '29 or  
10 thereabouts, without putting a particular date  
11 upon it, it was only natural that some thought  
12 should be given to the position of shipping in the  
13 new nation, and therefore an agreement was entered  
14 into, because we were then free, we were then free  
15 to repeal the statute of 1870 which up to that  
16 time, for reasons well known to the Commission, we  
17 were not free to change, we were then free to  
18 change, and if we were to continue to restrict then  
19 that would have to be done by agreement, and for  
20 that reason -- as the Commission well knows --  
21 there was at that time entered into what has  
22 become known as the British Commonwealth Merchant  
23 Shipping Agreement which was signed in England  
24 in December of 1931, and which is set out in  
25 extenso in the Statutes of Canada for 1932 at  
26 page 9 of the prefix. That statute, as I said  
27 a moment ago, has been called to your lordship's  
28 attention many times during the course of these  
29 proceedings, I am sure, but I think it is worth  
30





1 while to look at it again for just a moment and  
2 see what it says. First of all, it was an agree-  
3 ment entered into by the sovereign nations, the  
4 United Kingdom, Canada, Australia, New Zealand,  
5 South Africa, the Irish Free State, and the then  
6 independent colony of Newfoundland. That agreement  
7 said that we would offer to ships of the Common-  
8 wealth the treatment we accorded to our own ships.  
9 Now, reading the agreement for what it says, that  
10 means that we must continue to give to the ships  
11 of the Commonwealth the same treatment that we  
12 give to our own ships. That virtually continued  
13 in force, as I read it, for practical purposes --  
14 the old statute of 1870 said that no goods or  
15 passengers shall be carried by water, from one  
16 port of Canada to another, except in British ships.  
17 It perhaps should not be lost sight of that at  
18 that time we shut off, we shut out foreign ships  
19 from our coasting trade. I am not instructed to  
20 say that there should be no departure from that  
21 situation, but I think that due cognizance should  
22 be taken of the fact that our coastal trade is  
23 restricted, that the foreign ships are not per-  
24 mitted to take part in the traffic from one port  
25 in Canada to another, so we have lost the com-  
26 petition that would come from the use of American  
27 ships, Norwegian, Danish or any other kind of  
28 ships except British ships, which as your  
29 lordship knows are defined by our Act of 1870  
30





1 as being a ship owned by a British subject or a cor-  
2 poration subject to the laws and having its principal  
3 place of business in the United Kingdom or a British  
4 possession.

5 Now, before I pass to the matter of the  
6 agreement, and this is all I have to say further  
7 about the agreement, Parliament certainly could  
8 repeal Section 671 because I omitted to say -- it  
9 is perfectly obvious -- the present Section 671  
10 is the successor statute to the old statute of  
11 1876, and Section 671 of the Canada Shipping Act  
12 says:

13 "No goods shall be transported by  
14 "water or by land and water, from one place  
15 "in Canada to another place in Canada,  
16 "either directly or by way of a foreign port,  
17 "or for any part of the transportation in  
18 "any ship other than a British ship."

19 And as the Commission will recall, that matter was  
20 considered in 1934 in Parliament, and the restric-  
21 tions were continued. At that time members in  
22 the opposition in the House of Commons from Western  
23 Canada took exception to that. The question was  
24 of the continuous passage of a ship and the mere  
25 fact that there would be some interference with  
26 ourselves, the port of Buffalo was the central  
27 point in that discussion, but it is only useful  
28 for my purposes to call your attention, my lord  
29 and members of the Commission, to the fact that  
30







1 at that time there was apprehension on the part of  
2 certain members in the House of Commons that even  
3 that change was not a good one for the economy of  
4 Western Canada, and I have at page 4 of my brief  
5 set out a passage from the remarks of the member  
6 for Red Deer, Alberta, in the Debates of 1934, and  
7 Mr. Speakman at that time said:

8 "It is not that the western farmer would  
9 "not prefer, the cost and other things  
10 "being equal, to have his grain carried  
11 "in Canadian bottoms. He would. But  
12 "he cannot afford to pay for that sentiment,  
13 "and he cannot afford to take the chance  
14 "of an increase in cost through the  
15 "removal of that controlling factor."

16 And the controlling factor was competition.  
17

18 I said I would say one word more about the  
19 agreement before leaving it, and may I just do that  
20 now, sir. I would call the attention of the  
21 Commission to Article 25 of the agreement, which  
22 I have set out in full at page 3 of my statement;  
23 that is the article which provides for a variation  
24 of the agreement, and reads in part:

25 "The present Agreement may be varied at  
26 "any time during the continuance thereof  
27 "by common accord."

28 My point, sir, is that while Parliament is supreme,  
29 I would venture the respectful view that Par-  
30 liament would not repeal or substantially alter





1 Section 671 of the Canada Shipping Act without  
2 first obtaining the accord of the parties signatory  
3 to the agreement, or failing that, to take the  
4 other procedure set out in the agreement for the  
5 amendment or variation of that agreement. I think  
6 that is an important matter, it came out of the  
7 deliberations, the very well known deliberations  
8 of the Conference of 1929, out of the Conference  
9 that led to the passing of the Statute of West-  
10 minster, and I respectfully submit, sir, that  
11 before Section 671 can be -- and perhaps I shouldn't  
12 say can be, because Parliament is supreme --  
13 before Section 671 should be repealed or sub-  
14 stantially altered, there should be again convened  
15 the Conference of the parties signatory to that  
16 agreement and the accord of those parties obtained,  
17 and I think it is right to say in passing that from  
18 what I read -- and I have only been able to read it  
19 largely in the newspapers -- the present Province  
20 of Newfoundland, which at that time was an indepen-  
21 dent colony and a signatory to that agreement,  
22 takes the position against any alteration in the  
23 status quo and takes the position against  
24 restricting the coasting trade of Canada to ships  
25 built in Canada and manned in Canada, and if that  
26 is so I think perhaps that is a circumstance  
27 which should enter into the recommendations of  
28 your Commission with regard to repealing or  
29 substantially altering Section 671 of the Canada  
30





1 Shipping Act.

2 THE CHAIRMAN: You mean to imply that New-  
3 foundland, which was at that time a signatory,  
4 has now a separate character and should be separate  
5 in its representations from the Dominion of Canada  
6 in any such Conference?

7 MR. FRAWLEY: Oh, no, sir, not for a moment,  
8 there is no legal force to what I am saying at  
9 all, Newfoundland is now part of the Federation  
10 of Canada.

11 THE CHAIRMAN: I was under that impression,  
12 sometimes I doubt it in some things I hear.

13 MR. FRAWLEY: I have read the same things  
14 in the newspapers, sir, to which you are referring,  
15 but I say there is something more, perhaps, than  
16 the primary situation. Newfoundland has no  
17 greater voice than Alberta has, for which I have  
18 the honour to speak, but I do think it is a  
19 circumstance that Newfoundland at the time entered  
20 into this agreement which puts it not legally,  
21 but perhaps morally, in a little different  
22 position than perhaps the rest of Canada.

23 Then, I pass from any further consideration  
24 of what I might call the historical sittings  
25 of this legislation, and pass to the position  
26 which is taken against us; the position that  
27 there must be further restriction now in the  
28 coastal trade of Canada; that a restriction  
29 which shuts out foreign ships but does permit  
30







1 British ships to participate in our coastal trade,  
2 that that restriction must now be intensified, and  
3 now after 85 years we must have nothing but ships  
4 built in Canada and manned in Canada engaging in  
5 the traffic which moves our goods from one port in  
6 Canada to another port in Canada, and I have  
7 already called to the attention of the Commission  
8 the Debates in the House of Commons in 1934 when  
9 it was not a question of the repeal of Section 671  
10 but only a much lesser change, and that was  
11 bitterly resisted. It is true it was passed by  
12 the administration of the day, but it was vigorously  
13 resisted by the Opposition, and particularly those  
14 members of the Opposition who sat in the House  
15 of Commons representing Western Canada.

16 Now, at that time the matter of package  
17 freight was not considered; there was no control  
18 of package freight in 1934. The first control of  
19 package freight came in 1938 when, by the amend-  
20 ment to the Transport Act, the Board of Transport  
21 Commissioners were given power to regulate  
22 package freight on the Great Lakes, and not on  
23 the whole of the St. Lawrence system but, as your  
24 lordship knows, only from a point at or near --  
25 somewhere east of Quebec City, but there has been  
26 that control of the package freight. There is  
27 no control of the bulk freight excepting that  
28 control which is -- it is the same here -- very  
29 largely inactive; the control by the Board of  
30





1 Crown Commissioners in the England Water Freight  
2 Rates Act, where an upper limit is established.  
3 So, we have the situation that there is some  
4 control of the freight rates on package freight,  
5 and no control except the law of supply and demand  
6 on the chartered portion of traffic.

7 Now, it may be suggested that while there  
8 may be some misapprehension that the bulk freight  
9 rates will go up when this traffic is monopolized  
10 into the hands of Canadian manned and Canadian  
11 built ships, which I will speak of in a moment,  
12 but there need be no misapprehension in connection  
13 with the package freight, and your lordship will  
14 understand that I am concerned with the freight  
15 rates which the people of Alberta pay on all goods,  
16 either the grain going out or the other primary  
17 products going out and using water transport in  
18 part, but also those consumer goods coming in from  
19 Eastern Canada which use water transport also in  
20 part.

21 Now, dealing for a moment with those things  
22 which use water transport in part, not where there  
23 is a measure of control by the Board of Transport  
24 Commissioners; that is as I see the situation, and  
25 my respectful submission is this is what would  
26 inevitably develop; the coastal trade of Canada  
27 would be restricted, the competition from the  
28 British ships would disappear, the costs -- so  
29 it has been suggested to me from what little  
30





1 reading I have done -- the costs would probably be  
2 greater, not only the cost of building the ships  
3 would be greater, but the cost of operating might  
4 be greater, because from the one or two briefs --  
5 and there are only one or two briefs that I have  
6 been privileged to read -- there does seem to be  
7 a suggestion that one of the things that is wrong  
8 is that the British ships can be built more cheaply  
9 and can be manned more cheaply. My first  
10 reaction to that, of course, sir, is that there  
11 is not anything wrong with the fact that the  
12 British ships can be built more cheaply and can be  
13 manned more cheaply, but assuming that that is so  
14 and that the truly Canadian ships would cost more  
15 to build, and therefore the capital cost would be  
16 greater, and they would cost more to operate and  
17 therefore the operating costs would be greater.  
18 I put it to you, sir, that the Canadian ship owner,  
19 Canada Steamship Lines is the principal one that  
20 carries package freight from the Lower Lake ports  
21 to the Head of the Lakes for transfer by rail to  
22 Alberta, and they could go to the Board of Transport  
23 Commissioners on an application of financial need  
24 just as the railways have done; starting in 1946  
25 the railways made a succession of applications  
26 to the Board of Transport Commissioners alleging  
27 -- and indeed, proving -- financial need, as a  
28 result of which their rates were increased so that  
29 now their rates are more than 100% greater than  
30







1 they were in 1948. Now, if a case of financial  
2 need were made out by Canada Steamship Lines, and  
3 that would seem to pretty clearly follow because of  
4 the increased cost of building the ships and the  
5 increased costs of operating these ships, then  
6 the Board of Transport Commissioners would be  
7 justified in permitting an increase in the package  
8 freights. Then, sir, there would almost periodically  
9 be an increase in the rail freights because there  
10 has been a tradition and a well-respected tradition  
11 which the Board of Transport Commissioners sanctions  
12 demanding that there be a differential, that the  
13 railway have always a certain differential over  
14 the water rate, so for that reason, sir, I do  
15 respectfully urge upon you that there is an  
16 immediate connection and an alarming one to us  
17 between the restriction of the coastal trade of  
18 Canada to Canadian built and Canadian manned ships  
19 and higher freight rates which our people in  
20 Alberta would have to pay.

21 Now, I will spend very little time, sir,  
22 discussing the next portion of my brief, which is  
23 that Alberta is particularly sensitive to high  
24 freight rates. That is something which I must  
25 say we have had an opportunity to speak on and  
26 have taken full advantage of that opportunity  
27 on many occasions since 1946 particularly, and  
28 during the whole of the course of proceedings of  
29 the Royal Commission on Transportation, and since  
30





1 then in the deliberations of the Board of Transport  
2 Commissioners which operated upon the report of  
3 that Commission.  
4

5 (Page 4765 follows)  
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Take D  
Nov. 1/55  
GRB

1 We are particularly vulnerable to high freight  
2 rates, and on page 5 I have quoted for the information  
3 of the Commission a statement made by the Premier  
4 of Alberta in June, 1949 to the Turgeon Commission  
5 on Transportation, and I have followed that by a  
6 short statement made at the same time and at the  
7 same sittings by Mr. Andrew Stewart, who is now the  
8 President of the University. That is something --  
9 well, perhaps, I should not say it is admitted be-  
10 cause very few things are admitted in a controversy  
11 on freight rates -- but that is something we have  
12 been able to satisfy the Turgeon Commission about,  
13 and the Board of Transport Commissioners about, that  
14 higher freight rates have a very marked effect upon  
15 our economy.

16 I was interested in listening this morning  
17 for a few moments to a statement made by Dr. Hope  
18 on behalf of the Canadian Federation of Agriculture  
19 in which he said, more or less in passing, that  
20 an increase in freight rates will make for the  
21 dislocation of industry. It may be a matter of  
22 almost public knowledge -- certainly it is in the  
23 Province of Alberta -- that as a result of a very  
24 small difference in the freight rate from Eastern  
25 Canada to Calgary as against the freight rate  
26 from Eastern Canada to Edmonton, as a result of  
27 the recently introduced Class A scales by the  
28 Board of Transport Commissioners, there has been  
29 a tremendous outcry by the people of Calgary with  
30







1 respect to that small difference which I have men-  
2 tioned, and which in the case of 5th Class freight  
3 is something in the neighbourhood of 2 percent.

4 The people of Calgary are very, very alarmed  
5 that that difference in freight rate is going to  
6 shift industry from Calgary to Edmonton. Whether  
7 their fears are well-founded I, having a purely  
8 provincial attitude, will not say, and I have no  
9 views upon it, but in any event they are alarmed,  
10 and I only mention that in passing as indicating  
11 the extreme importance to our industry of a higher  
12 freight rate.

13 We are now in Alberta at a stage where we must  
14 expand industrially, for our secondary industry  
15 must go ahead, and, again, it is pretty well common  
16 knowledge that it is going ahead, but we have to  
17 bring large quantities of goods in. We have to  
18 bring steel in from long distances. We are now  
19 endeavouring to build an incipient steel industry,  
20 and our raw material will have to be brought in.  
21 It will not be a basic steel industry such as  
22 they have in Cape Breton and in Hamilton, but it  
23 will be a secondary industry, and the raw material  
24 must come from great distances, and some of it  
25 will certainly come by water transport up the  
26 Great Lakes.

27  
28 Now, we are extremely sensitive to the econ-  
29 omics of transportation, whether by ship, by rail  
30 or by highway. We are extremely conscious of it,





1 and we certainly, at all times, must resist anything  
2 which might contribute to increasing our freight  
3 rates.

4 I would like now to say a few words about  
5 what I have described, and I do not wish to drama-  
6 tize the situation at all but I cannot help but re-  
7 gard it as the incongruity of defending ourselves  
8 against the St. Lawrence Seaway. The people of  
9 Canada have contributed millions of dollars --  
10 millions of dollars -- to make the St. Lawrence Sea-  
11 way. The people of Alberta with all the other people  
12 of Canada are in accord with that great national  
13 undertaking, and look to it to bring them great  
14 benefits -- great benefits. We cannot conceive of  
15 it as doing anything but bringing us great benefits,  
16 and it is a most distressing thing to have to con-  
17 template that there will be any detriment as a re-  
18 sult of our being closely associated with it and  
19 our going hand in hand with the construction and  
20 the development of it.

21 We are spending millions of dollars in order  
22 to eliminate the obstacles which lie in the way of  
23 the free use of our St. Lawrence and Great Lakes  
24 Seaway, and to contemplate that we are going to  
25 bottle that up and to introduce such a measure of  
26 protection as will increase the costs of opera-  
27 ting on the Great Lakes and on the Seaway is some-  
28 thing which the people of Alberta, freight rate  
29 conscious as they are, do not contemplate ---  
30





1 THE CHAIRMAN: Are you not, perhaps, putting  
2 it a little too graphically? The Province of Ontario  
3 built a super highway from Toronto up to Barrie.  
4 It is a wonderful piece of road. It was impossible  
5 to think of anyone in any way impeding the flow of  
6 traffic on that road, and if you, like myself and  
7 thousands of others, have sat and waited and grunted  
8 and groaned down the old road you will understand  
9 it. A short time later they found that people  
10 were certainly being unimpeded in the use of that  
11 highway. They were travelling it at the rate of  
12 100 miles per hour, and the Government thought it  
13 had better impede some of them. So, now they have  
14 spent some \$750 million on a Seaway, but there is  
15 an allegation by others here that it is going to  
16 be misused, if we are not careful, by persons who  
17 are going to rush in with ships built at low cost  
18 and manned by low-cost labour who will sweep other  
19 parts of the Canadian economy -- and there are other  
20 parts -- out of business. Now, that shows there  
21 could be no such thing as being absolutely sure,  
22 either in the use of the Seaway or in the use of  
23 the Barrie Highway. It must always be used with  
24 full reference and regard for others who are using  
25 it.

26  
27 MR. FRAWLEY: Yes, my lord. I know very  
28 little about the Barrie Highway ---

29 THE CHAIRMAN: I just took that as a  
30 striking example.







1 MR. FRAWLEY: Yes, but I will say this, that  
2 I presume the Barrie Highway is also used by com-  
3 mercial vehicles, and I would think that the Govern-  
4 ment of Ontario would hesitate a long time before  
5 they would say that only a particular kind of com-  
6 mercial vehicle could travel that highway; one, for  
7 instance, built in Canada or manned by Canadians.  
8 I would think that a British truck, and a British-  
9 manned truck, could operate on that highway as well  
10 as a purely Ontario-made and Ontario-manned truck.

11 THE CHAIRMAN: I thought they said that a  
12 considerable time ago -- the Province of Ontario and  
13 the Dominion of Canada -- that the British-made  
14 trucks must have a license to drive on the highways  
15 of Ontario.

16 MR. FRAWLEY: That is right, sir, and I  
17 assume the British-manned ship is subject to licen-  
18 sing, and the passing of Customs regulations which  
19 the Canadian-manned ship is probably not subjected  
20 to.

21 THE CHAIRMAN: What license are you speak-  
22 ing of now? Are you speaking in regard to bulk  
23 carriers or package freight?

24 MR. FRAWLEY: Well, sir, I thought from  
25 my reading of the Customs Regulations passed under  
26 the Customs Act that a British ship must be licen-  
27 sed before it can engage in coastal trade. If  
28 I am not correct in that then I withdraw what I  
29 said. I just assumed that they are subject to  
30





1 the same licensing.

2 THE CHAIRMAN: That is only with reference  
3 to the payment of Customs dues.

4 MR. FRAWLEY: Yes, some Customs they have  
5 to pay, sir.

6 Now, I would like to refer, in passing, to  
7 what the Honourable Lionel Chevrier said. He has  
8 said it more than once, but perhaps the last time  
9 he said it was when he spoke before the Canadian  
10 Club of Edmonton on September 6th last. At that  
11 time he said:

12 "The advent of the St. Lawrence Seaway  
13 "will reduce shipment costs through the elimi-  
14 "nation of cargo and reduction in rates for  
15 "the span now covered by rail or shallow-  
16 "draught canals. This reduction in rates  
17 "will be substantial, especially in view of  
18 "the fact that the Labrador iron ore traffic  
19 "will provide a large volume of bulk capa-  
20 "city on their return to the loading and  
21 "transfer dock on the Lower St. Lawrence.  
22 "Grain will indeed provide an ideal return  
23 "cargo for these vessels after unloading  
24 "the ore at Great Lakes destinations."

25 Then Mr. Chevrier said this:

26 "Whether these savings will be  
27 "translated into increased profit per bush-  
28 "el for the farmer or lower prices on ex-  
29 "port markets is still an undecided factor.  
30





1 "Whatever way the question is settled, the  
2 "outcome will be beneficial to the grower as  
3 "he will receive more profit per bushel or  
4 "sell more bushels at a stated profit."

5 Now, I make the respectful submission that Mr.  
6 Chevrier is right, that all of this is going to  
7 mean a benefit to the people of Western Canada, but  
8 I do not know, and I certainly cannot put words into  
9 Mr. Chevrier's mouth at all, but I doubt if Mr.  
10 Chevrier had in mind when he said that that Section  
11 671 of the Canada Shipping Act would be repealed,  
12 and there would be something substituted for it that  
13 would restrict the use of the Great Lakes and the  
14 St. Lawrence Seaway to ships built in Canada and  
15 manned in Canada.

16 THE CHAIRMAN: You understand it is only  
17 our duty to recommend, but in September of 1955 if  
18 Mr. Chevrier did not know that there was a proposi-  
19 tion to that effect being very strongly urged then  
20 he was much more out of accord with the present situa-  
21 tion than I would have ever suspected Mr. Chevrier  
22 to be.

23 MR. FRAWLEY: I would never say, knowing  
24 the man, that he was out of rapport with anything  
25 other than reality in regard to transportation in  
26 Canada, and particularly as it might affect the  
27 St. Lawrence Seaway. He did not say ---

28 THE CHAIRMAN: I do not think you should  
29 read into these remarks of Mr. Chevrier any  
30







1       implication for or against restriction because, I  
2       suggest to you, that is the one thing that Mr.  
3       Chevrier could not possibly be persuaded to utter an  
4       opinion on at the present time.

5               MR. FRAWLEY:       That is right, sir.    I quite  
6       agree it would be highly improper for me to put any-  
7       thing in his mouth.    I say these are the advantages  
8       which, in Mr. Chevrier's opinion, are coming to  
9       Western Canada.       We agree with Mr. Chevrier.   We  
10      are glad to have him say that.   We believe that  
11      with him.   That I can say quite safely.   I only say  
12      to this Commission:   Do not put anything in motion  
13      which would militate against our enjoying the full  
14      fruits and the benefits of which the President of  
15      the St. Lawrence Seaway sees coming to the people of  
16      Western Canada.   No further than that should I go,  
17      and no further did I intend to go, sir.

18             Now, I have one brief word in conclusion in  
19      regard to the shipbuilding industry.   It has been  
20      said that the shipbuilding industry of Canada, as you  
21      know, has a problem.   I know nothing of that and  
22      profess to know nothing of it, but I am instructed  
23      to say this, that if the Canadian shipbuilding in-  
24      dustry has a need then that need should not be  
25      met by increased water transport rates, and no  
26      situation should be allowed to be created whereby  
27      the Canadian shipbuilding industry could recoup its  
28      <sup>-er</sup> great capital costs and greater operating costs --  
29      assuming that they are greater -- they should  
30





1 not be permitted to recoup those out of and from the  
2 monies received by the users of water transport,  
3 particularly when, in this country, we must use  
4 water transport as well as rail transport for the  
5 long distances which we have to transport both our  
6 producer goods going out, and our consumer goods  
7 coming in. If there is that need for financial help  
8 not I nor the people I represent say anything against  
9 that, but I say that that should be a burden upon  
10 the people of Canada generally.

11 COMMISSIONER WICKWIRE: But, Mr. Frawley,  
12 the Dominion Marine Association has stated before us  
13 that even with restriction the rates on bulk goods  
14 will be lower.

15 MR. FRAWLEY: Well, sir, I have not had the  
16 advantage of hearing what that particular brief said.  
17 They say that the competition which would come in  
18 would not tend to ---

19 COMMISSIONER WICKWIRE: I think they say,  
20 in effect, that with bigger ships and more efficient  
21 ships there would be sufficient competition among  
22 Canadian operators, and that as a result of that  
23 the rates would be lower.

24 MR. FRAWLEY: Then, if we restrict them  
25 will they build bigger and better ships and oper-  
26 ate them more efficiently and more cheaply, and  
27 will they put the rates down?

28 COMMISSIONER WICKWIRE: Well, I want to  
29 know what you have to say about that.  
30





1           MR. FRAWLEY:   That is right, sir.   I say  
2  
3       at the moment that is looking into a crystal ball.  
4       If I could be assured of that -- I am not here because  
5       of sentiment for the United Kingdom shipbuilding in-  
6       dustry.   It certainly means less to me than the  
7       Canadian shipbuilding industry.   But, what I like  
8       about the United Kingdom shipbuilding industry is  
9       that it affords competition, and there is nothing  
10      wrong with competition, as I see it.   If this compe-  
11      tition is going to destroy our industry and if res-  
12      triction will build up our industry and assure us  
13      or guarantee us cheaper freight rates then I will go  
14      along with it.   I just want cheaper freight rates,  
15      or, at least, sir, if I cannot have cheaper freight  
16      rates I do not want them increased.   I do not want  
17      them increased, sir.

18           So, I say in concluding my statement that  
19      there should be no restriction -- no further restric-  
20      tion -- on the entrance into the coastal trade of  
21      Canada, and any suggestion that that trade should  
22      be restricted to ships built in Canada and manned  
23      in Canada should be rejected.   That is my respect-  
24      ful submission, sir.

25           MR. MUNDELL:   Mr. Chairman, I had the  
26      advantage of having a short discussion with Mr.  
27      Frawley before he made his presentation, and he in-  
28      formed me that he has not had the opportunity of  
29      preparing any statistical information, or make any  
30







1 statistical analysis, in support of the submission of  
2 the Province of Alberta, so I propose to confine my  
3 questions to clarifying one or two points in the  
4 brief -- in fact, Mr. Frawley has already clarified  
5 them in his presentation except for one point.

6 Q. You suggest at the end that if there  
7 is to be any assistance given to the shipbuilding  
8 industry -- this is on page 7 of your brief -- it  
9 should be in the form of financial help which should  
10 be a burden on the people of Canada generally, and  
11 not upon the users of water transport. I was wonder-  
12 ing why you say that. Maybe I can clarify my ques-  
13 tion by putting it this way: One argument put  
14 forward for maintaining the shipbuilding industry  
15 is the defence argument, and it is said if it is  
16 to be maintained for defence then its cost should be  
17 borne as a national defence cost, and not by the  
18 user.

19 A. Yes.

20 Q. But another compelling argument put  
21 forward for maintaining the shipbuilding and ship-  
22 ping industry, if it is in danger, is that Canada  
23 as a country should have a complete transportation  
24 system under its own control, and that the ship  
25 operators, and the ships on the Lakes, should be  
26 Canadian, and that we should have enough yards to  
27 service them and to build them as a part of our  
28 national apparatus. If that is so, would it not  
29 be proper -- if that argument is to be adopted --  
30





1 to impose the cost on the people who use the trans-  
2 portation system, and particularly that particular  
3 part of the transportation system, by granting the  
4 restriction? Would not that be a fair way of doing  
5 it rather than making it a national cost, since they  
6 are the beneficiaries of that part of the transpor-  
7 tation system?

8 A. Mr. Mundell, I look upon it this way,  
9 as things are now there is a competition potential,  
10 and doubtless actual, from the United Kingdom ships  
11 in the coastal trade. Now, to justify removing  
12 that freedom of trade, in my respectful submission,  
13 a powerful case must be made out. You say it has  
14 been suggested that we should have a transportation  
15 system under Canadian control?

16 Q. A complete one.

17 A. Yes. Do you mean regulatory control?

18 Q. Under Canadian national sovereignty --  
19 sovereign control. That is to say, at any time we  
20 can say what the ships in the Lakes will do, whereas  
21 if the ships in the Lakes are foreign-owned they  
22 will sail down and proceed elsewhere.

23 A. Of course, I cannot conceive of  
24 Canada, by an appropriate Federal agency, not having  
25 adequate control over United Kingdom ships plying ---

26 THE CHAIRMAN: Q. What are we going to  
27 do? Tie a rope on them?

28 A. Do you mean to keep them here? Was  
29 that the purpose of your question -- to keep them  
30





1 in this country?

2 MR. MUNDELL: Yes, they could leave at any  
3 time. Nothing short of a war could keep them.

4 COMMISSIONER WICKWIRE: If the necessity  
5 arose for keeping them here -- that is, I think,  
6 what Mr. Mundell means.

7 MR. FRAWLEY: If it is a national necessity,  
8 sir, and a matter of national emergency, that comes  
9 down to what my friend, Mr. Mundell, said a moment  
10 ago ---

11 MR. MUNDELL: Q. What about a strike?

12 A. If it is a matter of national defence  
13 we say you should exercise all sorts of extraordinary  
14 powers.

15 THE CHAIRMAN: Q. Let us not go so far.  
16 Let us ask you if you consider it an emergency to  
17 get the grain down to the sea coast. You represent  
18 the Province of Alberta, and we will forget for the  
19 moment that you ship a lot of it to Vancouver ---

20 A. We ship most of it to Vancouver.

21 Q. Yes, which makes me wonder why you  
22 are so interested in this problem.

23 A. Package freight.

24 Q. I will come to package freight in  
25 a moment, but is there any emergency in regard  
26 to the Western Provinces as a whole in the failure  
27 to get the grain down to the seaboard?

28 A. I think there always will be ships  
29 offering at the Lakehead to take the grain down.  
30







1 Q. Where will these ships come from?

2 A. At the moment they cannot come from  
3 all corners of the world; at the moment they only  
4 come from Britain and the Lake ports.

5 THE CHAIRMAN: After the Seaway is completed  
6 where will they come from?

7 MR. MUNDELL:

8 Q. Should not the policy of the Govern-  
9 ment of Canada really be to ensure that a sufficient  
10 supply of shipping under Canadian Government control  
11 is always available?

12 A. Yes, I would think that would be a  
13 laudable objective of the Federal jurisdiction, but  
14 that need not be maintained and assured by restric-  
15 ting and cutting off the ships which have been in  
16 our waters for 85 years.

17 Q. Supposing that with the new canal ships  
18 that have not been in our waters for 85 years come  
19 up into the Lakes and push our shipping to the  
20 wall. In that case should Canada maintain a fleet,  
21 and if it should decide to do so who shall bear  
22 the cost?

23 A. You must think of the consumer. You  
24 must think of the person who has to pay those  
25 rates in season and out of season, and I think, in  
26 my respectful submission, the consumer is some  
27 times forgotten. If you think about the consumer,  
28 you should not put too much on him -- he is the  
29 user of the transport. There is a distinction  
30 between the use of transport and a national policy





1       which should be borne -- I will not say out of the  
2       Federal Treasury; I have no brief to talk about sub-  
3       sidies, or anything of that sort, but I say it  
4       should be dealt with as a national emergency and  
5       dealt with in some way or other other than increasing  
6       the freight rates which are now excessively high  
7       in our economy.

8               Q.       Would you agree with this, that it  
9       would be a fair thing to do to impose it on the man  
10      who uses the facility, and for whom the facility  
11      is maintained?

12             A.       No, I do not think that would be fair  
13      under the circumstances.

14             MR. MUNDELL:     Well, at least we know where  
15      we stand.

16             THE CHAIRMAN:   Q.   Now, with regard to this  
17      package freight and this elimination of British com-  
18      petition which you fear, what competition is there  
19      in the package freight today?

20             A.       I do not know, sir.

21             Q.       Is there a single United Kingdom line  
22      which has a license, or which has ever applied  
23      for a license, in the package freight business?

24             A.       Not knowing, I will accept your sug-  
25      gestion that there is not a single one.

26             Q.       I am asking you.   I do not know.

27             A.       I am not sufficiently informed,  
28      but at least there is potential competition.

29             Q.       All right; I just wanted to know.  
30





1           A.       To shut off something, whether it is  
2 there or not -- to shut it off because they have not  
3 availed themselves of it does not seem to me to be  
4 right.

5           THE CHAIRMAN:     Yes, Mr. Gerity:

6           MR. GERITY:     Q.   Mr. Frawley, I represent  
7 some of the Great Lakes shipowners, and I would like  
8 to ask you a few questions about the Imperial Con-  
9 ference and the Commonwealth Shipping Agreement of  
10 1931.   When you looked into this matter, sir, did  
11 you find that that Agreement carried a provision as  
12 to its own nullification at one year's notice?

13          A.       I think you will find that that is in  
14 Article 25 which ---

15          Q.       I think it is Exhibit 29 before this  
16 Commission.   I doubt if the Secretary has been able  
17 to carry them all around with him, but ---

18          THE CHAIRMAN:     No, Exhibit 25 is an agree-  
19 ment ---

20          MR. GERITY:     No, Exhibit 29, my lord.

21          THE CHAIRMAN:     Yes, that is right.

22          MR. GERITY:     In any event, there is a pro-  
23 vision for cancellation on one year's notice.

24          THE CHAIRMAN:     But Mr. Frawley referred  
25 to Article 25.   Article 25 is not a cancellation  
26 provision; it is a provision for amendment, but as  
27 you point out the agreement also provides for can-  
28 cellation on one year's notice.

29          MR. GERITY:     Thank you, sir.  
30







1 Q. Is it not also correct, Mr. Frawley,  
2 that the same Agreement provides for the imposition  
3 of Customs duties on any ship built ---

4 A. I will accept that from you, if that is  
5 your interpretation of it.

6 THE CHAIRMAN: Q. You put it in your brief  
7 yourself. You cited it.

8 A. No, I cited Articles 10, 11, 12 and 25.

9 Q. Look at Article 12 (1).

10 A. "Nothing in the present agreement shall  
11 "be deemed (i) to derogate from the right of  
12 "every Part of the Commonwealth to impose  
13 "Customs tariff duties on ships built outside  
14 "that Part; or (ii) to restrict the right of  
15 "the Government of each Part of the Common-  
16 "wealth to give financial assistance to ships  
17 "registered in that Part or its right to regu-  
18 "late the sea fisheries of that Part."

19 Q. I thought you might agree with Mr.  
20 Gerity when you put it in your own brief.

21 A. Yes, sir.

22 MR. GERITY: Mr. Frawley, in looking at  
23 the report of the Conference of 1929 and 1930,  
24 which is officially Exhibits 10 A, B and C before  
25 this Commission -- I wonder if you saw this comment:

26 "Under the new position, each port  
27 "of the Commonwealth will have full power  
28 "to deal with its own coasting trade. We  
29 "recommend that the Governments of the  
30





1 "several parts of the Commonwealth might  
2 "agree, for a limited number of years, to  
3 "continue the present position, under which  
4 "ships of any part of the Commonwealth are  
5 "free to engage in the coasting trade of any  
6 "other part."

7 A. Yes, I read that.

8 Q. Do you think that is consistent with  
9 your interpretation of the Agreement?

10 A. Yes. All this said was that they  
11 suggested that they continue as they had been for a  
12 limited number of years, and they have continued,  
13 and there has been no move to make any change in it.  
14 Why should it change until there is another Confer-  
15 ence, and they re-assess the situation?

16 Q. What about this comment which is in  
17 the same report, Exhibit 10 A, at page 26:

18 "Canada reserves the right when sign-  
19 "ing the agreement to declare the extent,  
20 "if any, to which the provisions of the  
21 "agreement, other than those of Part I,  
22 "shall not apply to ships navigating the  
23 "Great Lakes of North America."

24 A. That is right, and in my brief I  
25 quoted that, and I went on to say that a perusal  
26 of the Agreement indicates that Canada made no  
27 such reservation. Perhaps you can inform me  
28 where Canada has made such a reservation?

29 A. I regret to say that the evidence  
30





1 I thought I would make available to this Commission  
2 was denied me because of communications between the  
3 Government of the United Kingdom ---

4 MR. MUNDELL: I do not think that is a  
5 proper remark.

6 THE CHAIRMAN: What Mr. Frawley has re-  
7 ferred to is an Agreement, signed, sealed and exe-  
8 cuted, and he has asked: Is there any such reser-  
9 vation? and the answer must be No. You have read  
10 the Agreement, and Mr. Frawley has, and so have I.

11 MR. GERITY: Mr. Chairman, the phrase was  
12 not repeated in the Agreement itself, but it was  
13 made clear at the Conference, and I for one am not  
14 prepared to say that the ---

15 MR. MUNDELL: I think you will find there  
16 is a formal procedure in treaties for making reser-  
17 vations. It is part of the protocol ---

18 MR. FRAWLEY: May I read this statement from  
19 page 2 of my submission:

20 "It is recorded at page 25 of the  
21 "Report of the Imperial Conference of 1930  
22 "that Canada reserved the right when sign-  
23 "ing the British Commonwealth Merchant  
24 "Shipping Agreement to declare the extent,  
25 "if any, to which the provisions of the  
26 "Agreement other than those of Part 1 (re-  
27 "lating to the status of British ships)  
28 "should not apply to ships navigating the  
29 "Great Lakes of North America. A perusal  
30







1 "of the Agreement indicates that Canada made  
2 "no such reservation."

3 That is a statement in my own submission, and for  
4 the moment I do not quite follow the questioner, or  
5 what he is seeking to establish.

6 Q. I only want to ask you if there are  
7 not other interpretations than yours of the delibera-  
8 tions of 1929 and 1930? Is it not true for me to  
9 say that it is quite clear, even in the signed Agree-  
10 ment, that the parties contemplated that it might  
11 be changed on fairly short notice?

12 A. It all depends on what you mean by  
13 "fairly short notice". Those are equivocal and  
14 fairly ambiguous words. The fact that it did not  
15 change and went on all these years seems to me to  
16 strengthen the reasons why it should not be changed  
17 at this time.

18 Q. Do you know whether United Kingdom-  
19 registered ships participate largely in the trade  
20 of Australia, for instance?

21 A. No, I have no knowledge of that.

22 Q. Moving to another matter, Mr. Frawley,  
23 have you any idea of what percentage of Alberta  
24 grain does go via the Great Lakes?

25 A. No, but there is a line which you  
26 can draw, and which is roughly described as the  
27 Alberta-Saskatchewan boundary, that is a sort of  
28 height line where the grain flows to the Pacific  
29 if it is produced west of that line, and flows to  
30





1 the Lakehead if it is produced east of that line. I  
2 would say that the bulk of our grain actually and  
3 physically moves to the West Coast, but as you may  
4 know the farmer's settlement for his grain is Fort  
5 William less freight to Fort William. That is the  
6 basis, and it has never been changed even though,  
7 physically, it may be directed by the Grain Board to  
8 go to Vancouver.

9 Q. If it be so, sir, that the large part  
10 of your grain passes through the Port of Vancouver  
11 I take it that your Province is not particularly  
12 concerned with the coasting trade so far as the  
13 grain movement is concerned?

14 A. I would say, along with the rest of  
15 Western Canada, that we are vitally concerned in the  
16 coasting trade of Canada, not only because our grain  
17 goes to the Pacific, but because, as I have told you,  
18 our settlements are made on the Fort William basis.

19 Q. That is, selling price f.o.b. Fort  
20 William?

21 A. That is right.

22 Q. Well, sir, in the past has not the  
23 Great Lakes fleet served the grain business fairly  
24 well?

25 A. It has served it fairly well, and  
26 perhaps one reason is that the competition from  
27 the United Kingdom ships was always there.

28 THE CHAIRMAN: Q. Where?

29 A. What is that, sir?  
30





1 Q. Where?

2 A. The competition was there because there  
3 was no restriction, sir. There was potential com-  
4 petition, whether there was any actual competition  
5 or not.

6 Q. What is the potential competition when  
7 nature has built a wall? There is no need for any  
8 study when nature has built a wall, but that wall  
9 is now being blasted out.

10 A. I am obliged to your lordship for  
11 calling that point to my attention. When the wall  
12 is taken out in my respectful submission there should  
13 not be another wall put up.

14 Q. I understand that submission, but I  
15 was referring only to your statement that the com-  
16 petition has existed for 85 years, because it could  
17 not have existed for 85 years; it could not get there,  
18 you see?

19 A. Yes, I appreciate that. That is a  
20 very practical remark to make to me, sir.

21 MR. GERITY: Q. Is it so that your Pro-  
22 vince has had any reason for complaint during these  
23 85 years having regard to the fact that the Canad-  
24 ian fleet has been sufficient to move your product  
25 to the sea?

26 A. My Province is alarmed at what might  
27 happen if this competititon is to be interfered  
28 with.

29 Q. Competition which does not exist?  
30







1           A.       The potential is there, and it will  
2 exist when the Seaway is constructed, and that is  
3 why we think that it is a wrong thing now, before  
4 this Seaway is even completed, to serve notice on  
5 the world, and particularly on the British shipbuilder  
6 and the British shipowner and the British seaman  
7 that they are no longer welcome in our waters.

8           Q.       Do you not think it would be better to  
9 decide these matters now rather than have another  
10 Commission at a later time to see whether the tax-  
11 payer will provide us with a Great Lakes fleet?

12          A.       My views on the psychology of the  
13 Commission are of very little moment, but I think  
14 it would be regrettable that at this stage before  
15 we have completed this gigantic enterprise that we  
16 are thinking of putting hobbles on it. That is  
17 the way it strikes us.

18          Q.       Does it strike you also in Alberta  
19 that your needs will be served if the carrying trade  
20 of the Great Lakes passes to other hands?

21          A.       No, we simply do not like to look  
22 into the crystal ball that far, and see those dire  
23 consequences.

24          Q.       There is a big movement of grain,  
25 is there not, at several periods of the year?

26          A.       Yes.

27          Q.       And does it require some assemblage  
28 of tonnage to move it?

29          A.       Yes. As Dr. Hope said this morning,  
30





1 there are always some ships there to take it away,  
2 it seems.

3 THE CHAIRMAN: Q. Are there not always  
4 ships there to take it away because they are ordered  
5 to be there by the Transport Controller?

6 A. That might be one reason, sir.

7 Q. Yes, and the Transport Controller could  
8 exercise very little control over United Kingdom  
9 ships that happened to be ordered up there when they  
10 would be much happier engaged in a profitable trade  
11 in another corner of the world at the time?

12 A. The question is whether it is worth  
13 balancing that against restriction -- against the  
14 obvious restriction ---

15 THE CHAIRMAN: All I am attempting to point  
16 out to you, Mr. Frawley, is that you see such things  
17 in such a beautiful white and black contrast,  
18 and we have never been able to reach that brilliance  
19 of focus during our many months of deliberations.

20 MR. GERITY: Q. I have only one more ques-  
21 tion, sir. You referred to Dr. Hope's evidence  
22 before the Commission. Is there any reason to  
23 suppose that the iron ore trade from Seven Islands  
24 would be confined to British, or even Dominion,  
25 ships?

26 A. No. As a matter of fact, I probably  
27 should -- just while you raise that question I  
28 should probably make some explanation. There  
29 is a statement on page 7 of my brief which I might  
30





1 cite:

2 "The question might well be asked:

3 "Is the iron ore traffic from Labrador to

4 "be carried only in ships built in Canada and

5 "manned in Canada? Are British ships to be

6 "excluded from that trade?"

7 Now, probably that is not contemplated because the  
8 iron ore will be moved, I take it, from Seven Islands  
9 to various American ports, and with that being  
10 international trade there will be no restriction  
11 upon it so far as Section 671 of the Canada Shipping  
12 Act is concerned.

13 Q. Then, how could a Norwegian vessel  
14 carry grain between two Canadian ports?

15 A. An international trade will certainly  
16 be opened up, but it seems to me it will not be  
17 too practical to have the international trade open  
18 and the coastal trade restricted as it is now res-  
19 tricted to foreign ships, but you would go further --  
20 I say "you would", and I assume that you want to  
21 change the status quo; you want the restriction, I  
22 take it, from your line of questioning, and I say  
23 it would not be too practical to restrict a part  
24 of the trade. You would allow the British ships  
25 to come in freely from outside as long as they  
26 touch at a Canadian port and then at an American  
27 port, and then you would not allow them to take  
28 anything from one Canadian port to another. Well,  
29 sir, right or wrong, we think that that is not  
30







1 practical. We think that is just putting hobbles  
2 on the trade.

3 Q. You are not asking for the status quo;  
4 you are asking for foreign ships to participate.

5 A. No, I dealt with that. I said we  
6 had to accept that. The Parliament of Canada gave  
7 us that in 1870, and we have been living under that  
8 since 1870. I have no instructions to ask for  
9 any enlargement of that. My instructions are to  
10 ask for no restriction.

11 Q. I put it to you that if foreign ves-  
12 sels carry the iron ore to Lake Erie ports on the  
13 American side they can hardly participate in the  
14 coasting trade in grain, can they?

15 A. If foreign ships -- Norwegian and  
16 Danish ships -- no, there is no thought of that, as  
17 I understand it. It is not part of the Commission's  
18 deliberations to put those ships into the coastal  
19 trade, but if a British ship carries iron ore to  
20 a Lake Erie port I would still like it to be free  
21 to engage in bulk or package freight.

22 Q. If it could get the other trade to  
23 begin with? There is one other thing: I sup-  
24 pose you are aware of business conditions on the  
25 Lakes in connection with the grain trade -- which  
26 is not the only trade, to be sure? It is not  
27 very active, is it?

28 A. So I understand.

29 Q. Would you suggest that the shipowners  
30





1 might like the grain market to be freed so that they  
2 might have some carriage business?

3 A. I wish the shipowners well, so long as  
4 they do not seek to put this fence around their  
5 operations.

6 Q. There is no competition there, is  
7 there?

8 A. You probably know more about that than  
9 I.

10 Q. However, we have to depend on somebody  
11 selling some grain before we can carry it; is that  
12 not so?

13 A. Yes. I think it is a much larger pro-  
14 blem than the problem of carrying it in any parti-  
15 cular kind of bottom.

16 Q. We cannot always consider merely com-  
17 petitive factors, can we? I am not suggesting that  
18 the grain selling system should be different, but  
19 I am suggesting that we cannot take competition  
20 as the sole yardstick?

21 A. No, but it has been a good thing in  
22 Canada for a number of years, and we do not like  
23 it to get rusty.

24 MR. GERITY: Thank you.

25 THE CHAIRMAN: Are there any further  
26 questions? Thank you, Mr. Frawley.

27 We will adjourn until 2:30.

28  
29 ---Whereupon the hearing adjourned at 12:58 P.M.  
30 until 2:30 P.M.

(Page 4795 follows)





## AFTERNOON SESSION

---Upon resuming at 2.30 p.m.

THE CHAIRMAN: The Cabot Carbon Company. You have had some word there?

The Canadian Blower & Forge Company Limited

precedes that. I beg your pardon.

MR. GERIN-LAJOIE: The next submission, Mr. Chairman, will be that of the Canadian Blower & Forge Company. Mr. McMillan is appearing on behalf of the company.

Mr. McMillan, will you start by giving your initials and your official function with the company?

MR. McMILLAN: John McMillan, Vice-President  
of the Canadian Blower & Forge Company, Kitchener,  
Ontario.

MR. GERIN-LAJOIE: The brief is No. 43, Mr. Chairman.

SUBMISSION OF THE CANADIAN BLOWER & FORGE CO., LTD.

---Mr. J. McMillan, Vice-President, appearing.

THE CHAIRMAN: Yes, Mr. McMillan.

MR. J. McMILLAN: Mr. Chairman and gentlemen, we appreciate the privilege, first of all, of presenting a brief and now appearing before you. Our brief is short and I do not intend to enlarge upon it other than to say our company, the Canadian Blower & Forge Company Limited, is







1 located at Kitchener, Ontario, and we have provided  
2 for the shipbuilding trade such items as fans,  
3 blowers and machine tools.

4 These shipyards have been serviced from coast  
5 to coast by an engineering sales office for about  
6 15 years. It has been our privilege to supply  
7 these engineering services and equipment.

8 Fifteen years ago we started in this field  
9 and we found there was a great deal of engineering  
10 products, development, prototypes and approvals  
11 involved in this before we could get started.

12 Our thought in this matter is this. If  
13 this engineering know-how and manufacturing ability  
14 is allowed to slip, should an emergency arise it  
15 would be a little difficult to get men and start  
16 all over again and with this in mind we would like  
17 to see shipbuilding kept at a fairly high pace in  
18 Canada. We feel the more ships that are built --  
19 it may be selfish for us to say this, the better  
20 it is for us as manufacturers, and speaking of the  
21 country in general we feel it would be better for  
22 the country.

23 That is all I have to say, the only remarks  
24 I wish to make in addition to my brief.

25 MR. GERIN-LAJOIE: Q. I have a few questions.  
26 First of all, will you tell the Commission whether  
27 your Company is a Canadian incorporated company?  
28

29 A. It is, sir.

30 Q. Under Canadian laws or Provincial





1 laws?

2 A. Federal laws, yes.

3 Q. Is it a Canadian owned company? Are  
4 the majority of the shareholders resident in  
5 Canada?

6 A. No, it is not. It is owned by the  
7 Buffalo Forge Company of Buffalo, New York. We  
8 are the Canadian subsidiary of that company.

9 Q. What is the name of that company  
10 again?

11 A. The Buffalo Forge Company of Buffalo,  
12 New York. We are a fully-owned Canadian sub-  
13 sidiary, of course. We do have a Board of  
14 Directors in Canada and represented by three men  
15 from the United States.

16 Q. Do you manufacture in Canada generally?

17 A. We manufacture fully in Canada.

18 Q. Do you get parts from your American  
19 principal company?

20 A. I would say 95% of all the goods and  
21 equipment we make for ships is purchased in  
22 Canada.

23 Q. What about your parts in general,  
24 do you ---

25 A. That is generally true of our parts.  
26 Certain component parts, small parts, are not  
27 made in Canada. We have to go to the United  
28 States for them.

29 Q. Now, what part of your business or  
30





1 what proportion of your business is in relation  
2 to the shipbuilding; can you tell the Commission  
3 that?

4 A. Approximately 11% over the years.

5 Q. 11%?

6 A. Yes.

7 Q. Over the years?

8 A. Of course, that will vary.

9 Q. Let us say the last five years,  
10 approximately?

11 A. The last 15 years it has been  
12 approximately 11%.

13 Q. That is including the war years?

14 A. Yes.

15 Q. What about the more recent period,  
16 like the last five years?

17 A. It would be half of that.

18 Q. About 5%?

19 A. Yes. It will diminish, of  
20 course, unless shipbuilding continues.

21 Q. During the last five years, it would  
22 be about 5%?

23 A. In that range, yes.

24 Q. What products do you mainly sell to  
25 shipbuilding?

26 A. Our greatest production is fans,  
27 ventilation fans for various sections of the  
28 ship. The number of fans will range from any-  
29 where from five to seven fans to 28 fans,  
30







1 depending on the size of the vessel.

2 Q. Are there any other Canadian manufac-  
3 turers of such fans?

4 A. Yes, there are two others that are  
5 actively manufacturing, and a third could develop.

6 Q. All three of you supply the shipyards,  
7 actually?

8 A. Yes.

9 Q. Do you have any competition from non-  
10 Canadian sources?

11 A. Yes, sir.

12 Q. Do the shipyards actually buy, to your  
13 knowledge, from non-Canadian sources?

14 A. I would say very little. There are  
15 certain parts we possibly cannot make, but then  
16 they do, but I would say that it is a very small  
17 portion. Certainly they buy a very high percentage  
18 of fans, blowers and pumps for Canadian ships from  
19 Canadian sources.

20 Q. Do I understand you sell your products  
21 and do not participate in any way in the installa-  
22 tion of fans on ships?

23 A. In most cases we do not install.  
24 There are occasions when we are asked to install  
25 on ships in the early stages, but generally after  
26 the first ship is produced we step out and the  
27 shipyard does the balance of the installation.

28 Q. Does your company possess the skilled  
29 labour to make the installation on ships?  
30





1 A. Yes, sir.

2 Q. What kind of labour does it rely on to  
3 install your products?

4 A. Well, it takes what we call in the  
5 trade a first-class tinsmith and a first-class  
6 millwright, a combination of the two for  
7 installation purposes. Installation with us is  
8 not the big item. Our greatest worry is to retain  
9 the skilled men in our own shop for fans and  
10 machine tools being built to much greater precision  
11 that installation on a ship, but that is for our  
12 part. There are other things on a ship calls  
13 for installation by highly skilled people.

14 Q. Highly skilled for manufacturing  
15 purposes or also for installation purposes?

16 A. I did not get that.

17 Q. Do you require especially skilled  
18 labour for the purposes of manufacturing your  
19 products?

20 A. Yes, for manufacturing all the  
21 products rather than installation, as far as we  
22 are concerned.

23 Q. As far as installation is concerned,  
24 could your labour employed in other works be used  
25 for the installation of your products on ships?

26 A. I would say that is right, yes.

27 COMMISSIONER WICKWIRE: Q. You manufacture  
28 fans, blowers and pumps for other people already  
29 as well as shipyards?  
30





1 A. Yes.

2 Q. The same tradesmen make them?

3 A. Yes, except on ships, especially naval  
4 vessels, the type of fan provided for them is of  
5 much closer accuracy or of a greater -- much  
6 closer tolerance, shall I say, than the normal  
7 commercial type of fan. We are asked to meet a  
8 specification such as is not normally -- unheard of  
9 in the commercial field.  
10

11 Q. You have tradesmen making those?

12 A. Yes, sir.

13 Q. When they are not making those they  
14 are making fans, blowers and pumps for other  
15 commercial purposes?

16 A. That is right, yes.

17 MR. GERIN-LAJOIE: Q. Now, Mr. McMillan,  
18 the fans you manufacture for merchant ships, are  
19 they about the same as those which you manufacture  
20 for naval ships?

21 A. In general, yes, sir.

22 Q. You mentioned in your brief that  
23 Canadian operators in the coasting trade are being  
24 allowed to import and bring on to Canadian  
25 registry second-hand obsolescent vessels built in  
26 the United States. Do you know of any recent  
27 instances of this?

28 A. No, I would not say it is recent.  
29 It was quite prevalent say directly following  
30 the years of war. In fact, anything that came







1 in completed means no equipment in Canada into that,  
2 so our men are not building fans and pumps.

3 Q. When these ships are being reconverted  
4 or modernized, I suppose you have to supply fans  
5 and other products?

6 A. Yes, especially on naval ships, and  
7 occasionally with standard commercial type of  
8 vessel we do provide equipment.

9 Q. In your brief you also mention that  
10 with the opening of the St. Lawrence Seaway it is  
11 expected that, under existing coastal legislation,  
12 the direct competition of the more cheaply built  
13 U.K.-owned vessels will increase and bring about  
14 a reduction of work in Canadian shipyards. What  
15 reduction in work do you have in mind?

16 A. Well, there will be less ships built.

17 Q. What work is going on now, to your  
18 knowledge, in Canadian shipyards?

19 A. Well, the biggest part of the work, as  
20 far as I know, at the moment, is the naval programme.  
21 There is a limited amount of other vessels being  
22 built, I think, possibly in a small way.

23 Q. Do you think the St. Lawrence Seaway  
24 will change anything in that situation?

25 A. It could, yes.

26 Q. Not with the naval work. It will  
27 not affect the naval work?

28 A. I hope not.

29 Q. I am just trying to see exactly  
30





1 what you have in mind when you say this. You are  
2 speaking of a reduction in the work in Canadian  
3 shipyards, and I was just wondering if you have  
4 anything special in mind?

5 A. Well, if ships are going to be  
6 manufactured overseas in Britain or in any other  
7 country, they will come in fully equipped, and if  
8 they come in fully equipped, from there on our  
9 company will certainly not participate in any of  
10 the shipbuilding. Maybe we are taking the selfish  
11 view of it, but it is our own organization we have  
12 in mind there.

13 Q. I suppose you have in mind that ships  
14 which have been built in the Great Lakes area up  
15 to now would not be built there any more after  
16 the Seaway?

17 A. That is right. Up till now we have  
18 supplied a fair amount of equipment to lake vessels  
19 and other ships. We can foresee if they start  
20 bringing in fully finished ships we would not be  
21 participating in any of that particular work.

22 MR. GERIN-LAJOIE: This is all I have,  
23 Mr. Chairman.

24 THE CHAIRMAN: Thank you very much, Mr.  
25 McMillan.

26 MR. MUNDELL: The next brief appearing on  
27 the list, Mr. Chairman, is that of the Cabot  
28 Carbon of Canada Limited. I was informed this  
29 morning it would be impossible for the company  
30





1 to be here this afternoon, and therefore they are  
2 not making any verbal representations.

3 Following that, as I told you, Mr. Chairman,  
4 yesterday, was the brief of the Sun Steamship  
5 Limited. They too are not making any verbal  
6 representations.

7 Then there is the brief of the Bathurst  
8 Mining Corporation, and I have not been able to  
9 find anybody here who is representing the company,  
10 so I take it that they too are not making any  
11 representations.

12 Following that again is the brief of the  
13 Gypsum, Lime and Alabastine, Canada.

14 MR. GERIN-LAJOIE: The brief number is 94,  
15 Mr. Chairman.

16  
17 SUBMISSION OF THE GYPSUM, LIME & ALABASTINE, CANADA

18 ---Mr. J. Handley, Traffic Manager, appearing.

19 MR. J. HANDLEY: Mr. Chairman, members of  
20 the Commission. My name is Handley, initial J.,  
21 traffic manager of Gypsum, Lime & Alabastine,  
22 Canada, Limited.

23 We appreciate this opportunity of submitting  
24 our views to the Royal Commission.

25 At the outset we should like to make it  
26 quite clear we take no stand on the question of  
27 Canada' coasting laws. We are completely neutral  
28 on this issue. It is a national one, and we  
29 are not prepared to advance any views on it.  
30







1           Our purpose in appearing before you is to  
2 acquaint you with the transportation conditions  
3 which we, as primary producers, must face.

4           Both our raw materials and our finished  
5 products bear a heavy transportation burden because  
6 they have a low value in relation to their weight.  
7 They must also be marketed over great distances.

8           We are particularly concerned about the move-  
9 ment of our raw materials, gypsum rock, from  
10 quarries in Nova Scotia to our plant at Montreal  
11 east.

12           Transportation costs represent 66% of the  
13 delivered cost of these raw materials at our plant.  
14 Naturally any proposal which would have the effect  
15 of increasing our costs on this movement is viewed  
16 with some apprehension by us.

17           We believe that the restriction of the  
18 coasting trade to Canadian registered vessels only  
19 would lead to increased transportation costs on  
20 this movement. We also have found from our  
21 experience that the charter rates for British  
22 vessels employed in the coasting trade serve as a  
23 competitive influence limiting the rates which may  
24 be charged by Canadian owners. It is this  
25 competitive influence which has prevented our  
26 costs from rising too sharply.

27           If this influence were to be removed and  
28 were not replaced by some other regulating  
29 influence, to which we could have recourse if  
30





1 rates were to become unreasonably high, we should  
2 find ourselves at a considerable disadvantage.

3 As I said in opening, gentlemen, we just wish  
4 to bring this to your attention in your delibera-  
5 tions. We are concerned about our position. Our  
6 brief is on the record and I will be happy to answer  
7 any questions upon which I have any instructions  
8 or that are within my competence. If I do not have  
9 any pertinent details readily available we would  
10 be quite happy to supply them at a later date  
11 to the Commission.

12 Thank you.

13 MR. GERIN-LAJOIE: Q. Mr. Handley, I have a  
14 few questions. First of all, can you explain  
15 very briefly the operations of your company,  
16 starting from the raw material, the source of  
17 raw material to your plant. Firstly, do you own  
18 the mine or the place from where you get your raw  
19 materials?

20 A. In some cases, yes. So far as Eastern  
21 Canada is concerned, we do own a quarry in Nova  
22 Scotia, but we do not operate it at the present  
23 time. We purchase our gypsum rock from other  
24 quarries in Nova Scotia.

25 In so far as Ontario is concerned, our  
26 gypsum plant is on a gypsum mine. So far as  
27 Manitoba is concerned, we quarry our gypsum rock  
28 150 miles north of Winnipeg in a place called  
29 Gypsumville, and transport it by rail to the  
30





1 plant.

2 We also have a plant which manufactures  
3 a small amount of gypsum products in Calgary,  
4 Alberta. The rock from that operation comes from  
5 Falcon, British Columbia, by rail.

6 We have a further plant in New Westminster.  
7 Some of the rock, at least at the present, most  
8 of the rock is coming from Falcon, British  
9 Columbia, by rail to that plant, but we are  
10 planning to move a considerable quantity of  
11 gypsum rock from Mexico to that plant.

12 Q. Are you always talking of the Montreal  
13 plant? Which plant are you speaking of?

14 A. The New Westminster plant as far  
15 as rock from Mexico is concerned.

16 Q. If we stick to the Quebec and Nova  
17 Scotia operations; do you look after the trans-  
18 portation of your raw materials from Nova Scotia  
19 to Montreal East, or is it being transported by  
20 the supplier of your raw materials or the owner  
21 of the quarry?

22 A. No, sir. We look after our trans-  
23 portation in those instances.

24 Q. How is it being transported, by  
25 ship or by rail?

26 A. By ship.

27 Q. Do you own the ships?

28 A. No, sir.

29 Q. Who owns the ships which you use?  
30







1           A.     There are various companies. I have  
2 a breakdown here if you would like it. This is  
3 for the season 1954.

4           Q.     Would you read that into the record,  
5 please?

6           A.     In 1954, three vessel owners par-  
7 ticipated in our contracts for transportation.  
8 The Montreal Shipping Company Limited, under  
9 British registry, the Clarke Steamship Company  
10 Limited, a portion under Canadian registry and  
11 a portion under British registry, and the  
12 Saguenay Terminals under British registry.  
13 Summarizing the tonnages ---

14          Q.     Mr. Handley, do I understand that  
15 the figure of 32,000 tons of Clarke Steamship  
16 Company means that this tonnage was under  
17 Canadian registry?

18          A.     That is the tonnage actually trans-  
19 ported by vessels under Canadian registry.

20          Q.     And the 15,000 odd figures were the  
21 tonnages for vessels under British registry?

22          A.     Yes, but operated by Clarke Steam-  
23 ship Company. The breakdown is of total  
24 requirements which comes to 90,000 tons in the  
25 year 1954. 61% was transported by vessels  
26 under British registry, and 39% by vessels  
27 under Canadian registry.

28                 The picture for 1955 is somewhat reversed.  
29 Four companies are involved. The Clarke  
30





1 Steamship Company, a portion under Canadian registry,  
2 a portion under British. 40,611 tons under  
3 Canadian for Clarke, and 7,317 under British  
4 for Clarke Steamship.

5 The Montreal Shipping Company Limited,  
6 approximately 13,000 tons under British registry.  
7 Lunham & Moore Limited, approximately 20,000 tons  
8 under British Registry, and finally the St. Charles  
9 Transportation Company, approximately 15,000  
10 tons under Canadian registry.

11 Summarizing the breakdown for this year,  
12 it is 65% of the tonnage carried or to be  
13 carried under Canadian registry, and 35% under  
14 British registry.

15 Q. Mr. Handley, how do the rates  
16 compare between ships of Canadian registry and  
17 ships of British registry, of U.K. registry, I  
18 should say?

19 A. Well, we search the market for  
20 quotations and by and large we find that the  
21 British charter rates have had, as I said in  
22 my opening brief, a limiting influence on what  
23 the Canadian owner will demand. Now, we find  
24 that gap at times has been very small and at  
25 other times it has been great.

26 Q. Well, would you explain how you can  
27 talk of a gap? I do not know exactly what you  
28 mean since you employ both types of ships and  
29 apparently the rates are almost identical, is  
30





1 that right?

2 A. The rates we pay are almost identical.  
3 I would not say they are almost identical at the  
4 bargaining table.

5 Q. Are you in a position to give more  
6 specific detail in that respect to show the  
7 Commission how the British or U.K. registry  
8 ships companies' rates do really have some  
9 influence on the rates of the Canadian registered  
10 ships?

11 A. It would be a little difficult to  
12 establish that. Our negotiations for charter  
13 contracts may run over sometimes several months.

14 They are obviously influenced by the  
15 general demand for bottoms and I have found  
16 on occasion that we have had to make an offer  
17 to a Canadian ship owner that we could not  
18 possibly offer him all our tonnage unless a  
19 reasonable figure was arrived at. Such  
20 reasonable figure being obtained, in our  
21 experience, over years in bargaining for charter  
22 contracts. Obviously from year to year there  
23 is some fluctuation up and down, but ---

24 Q. Perhaps, Mr. Handley, it would be  
25 of some help to the Commission if you were to  
26 say how you start negotiating to get shippers  
27 to ship your raw materials from Nova Scotia  
28 to Montreal East?

29 A. Well, we usually start off with a  
30







1 shipping broker. We have a fairly good idea of  
2 what kind of rate we would like to pay and the  
3 shipping broker returns to us counter offers.  
4 From there the bargaining starts.

5 Perhaps the offers we have received are  
6 too high and we feel that the influence of the  
7 market is that the rates are going to go down  
8 and we will wait. We may be guessing wrongly.  
9 They may go up. On the other hand, we may sign  
10 up right away.

11 Q. Will you tell us if the broker is  
12 the one who will contact the Canadian ship owner  
13 or the owner of a Canadian registered ship or  
14 the owner of a U.K. registered ship and you  
15 will not do it; the broker will do it?

16 A. The broker will do it on our behalf.  
17 After all, he is in touch with the market as a  
18 whole and is in a far better position to present  
19 us with offerings.

20 Q. So maybe he will do the bargaining  
21 behind the scene without you being in the  
22 picture directly. Is that correct?

23 A. Sometimes that will happen. He  
24 has an idea of the kind of rates we think we  
25 can afford to pay. He may be able to settle  
26 that without our intervention.

27 Q. May I interrupt you here. When you  
28 say "the rates you can afford to pay", I suppose  
29 do you not mean the best rate you can get? I  
30





1 mean, do you fix the rates or does the cost of  
2 operation of the ships fix the rates to a larger  
3 extent?

4 A. To some extent it may. There are  
5 rates which they ask of us we cannot afford  
6 to pay.

7 Q. On account of what?

8 A. On account of ---

9 Q. What you mean, you cannot afford to  
10 pay; on account of the competition of your  
11 manufactured product, or what?

12 A. On account of the fact that the  
13 impact of the transportation costs in the  
14 total costs is so high, we cannot afford to  
15 pay an unreasonably high rate.

16 Q. What is reasonable and not reason-  
17 able? I suppose it is the law of supply and  
18 demand?

19 A. Yes, it is the law of supply and  
20 demand, but when you get into transportation  
21 you have also the question of the value of  
22 your material in relation to its weight.

23 I think that the elementary example is  
24 that a ton of sand worth \$1, you may pay \$1 to  
25 move it. A ton of silk worth say \$300, if  
26 you were asked \$20 to move it that may not be  
27 inhibitive or prevent the movement.

28 There is a relationship between the  
29 value of the material moved and the amount of  
30





1 transportation costs that the shipper or receiver  
2 feels he can afford to pay.

3 It has a limiting effect on the distances  
4 over which you transport material.

5 Q. I suppose it all depends on the com-  
6 petition, whether a competitor has a supply  
7 closer to its manufacturing plant than you or  
8 another competitor may have?

9 A. That is true. I would like to mention  
10 that the location of an industry depends upon a  
11 sort of optimum combination of its costs of  
12 transportation in on the raw material, and  
13 the cost of shipping the finished product out.

14 Obviously, if you have a change in the  
15 transportation costs, it can have a disturbing  
16 influence on that location.

17  
18 (Page 4815 follows)  
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1 Q. Now, did I understand you correctly  
2 to say that the rates you actually pay or, let  
3 us say, have paid in 1954 and 1955 for trans-  
4 portation in U.K. bottoms and Canadian bottoms  
5 has been the same?

6 A. Has been the same.

7 Q. With all steamship companies you  
8 have used?

9 A. With all the steamship companies  
10 we have used. I would qualify that by saying  
11 that in some areas we have not contracted  
12 fully for our requirements, and towards the end  
13 of the season we have anticipated a greater  
14 demand for raw material and it has been possible  
15 to go out on to the market and obtain <sup>the</sup> odd spot  
16 tramp ship at lower cost.

17 Q. Now, have you had in the past few  
18 years quotations, rate quotations, from steam-  
19 ship companies operating U.K. bottoms and others  
20 operating Canadian bottoms, so that you might  
21 be in a position to compare rates?

22 A. Most quotations are given to us  
23 initially verbally subject to negotiation, later  
24 confirmed. We have had such quotations.

25 Q. Verbally, you say?

26 A. Verbally, later in writing. The  
27 usual practice is to offer verbal quotations  
28 until a meeting ground is reached.

29 Q. And do I understand that you have  
30





1 in your files quotations for U.K. bottoms, specific  
2 U.K. bottoms, and for specific Canadian bottoms?

3 A. No, not for specific bottoms, from  
4 specific companies such as the companies I have  
5 named, quotations through our broker.

6 THE CHAIRMAN: They would not stipulate  
7 the nationality of the ship at all?

8 A. No, they would not stipulate the  
9 nationality of the ship, sir.

10 Q. They just undertake to carry for so  
11 many dollars and cents per ton, is that it?

12 A. Well, it all depends on the way  
13 you wish to fix your charter, whether you fix  
14 it by the ton or by the ship or even by a time  
15 charter.

16 MR. GERIN-LAJOIE: Q. But I understand  
17 some of the companies you have mentioned, the  
18 steamship companies you have mentioned, operate  
19 only U.K. bottoms?

20 A. That is true.

21 Q. And some of them operate both  
22 Canadian and U.K.?

23 A. That is true.

24 Q. And can you say definitely to the  
25 Commission that the rates from companies which  
26 operate Canadian bottoms as well as U.K. were  
27 higher than the others?

28 A. I cannot say that the rates  
29 actually charged to us were higher. That  
30





1 situation would not occur.

2 Q. Not charged, that the quotations you  
3 have had from them on the vessels were higher?

4 A. Yes, quite definitely.

5 Q. You are definite on this, you under-  
6 stand what I mean?

7 A. Yes, quite definitely.

8 MR. GERIN-LAJOIE: Would the Commission like  
9 to have those figures later on, Mr. Chairman, or  
10 do you think it may not be necessary?

11 THE CHAIRMAN: Not the original quotes,  
12 but if they can be put into a table form it  
13 would be of some assistance.

14 A. The thing you are dealing with, Mr.  
15 Chairman, is a fairly fluid situation. We  
16 may start off with a quotation, say, in November  
17 for next season's shipment. It can vary up or  
18 down and be amended by the party offering until  
19 we have decided to fix it. The quotation does  
20 move up or down. It is influenced by the sort  
21 of general level of the market.

22 MR. GERIN-LAJOIE: But quotations would have  
23 to have been obtained about the same day or time  
24 to be comparable?

25 A. Oh, yes.

26 Q. Let us put it this way, that if the  
27 Commission wishes to have this information we  
28 will write to you, the Secretary of the Com-  
29 mission will write to you.  
30







1 A. Fine.

2 Q. That is all the questions I have, Mr.  
3 Chairman.

4 THE CHAIRMAN: What is the reason for the  
5 change in the preponderance of bottoms: roughly  
6 two-thirds United Kingdom in 1954 and nearly  
7 exactly two-thirds Canadian in 1955?

8 A. There would be a number of reasons  
9 for that, Mr. Chairman. In the 1954 season I  
10 think we waited a little longer than perhaps  
11 usual to fix our contracts and other people  
12 secured the tonnage.

13 Q. Then you just took casual tramps that  
14 came along, is that it?

15 A. Oh, no, sir, I don't think that the  
16 Saguenay Terminals and the ---

17 Q. Oh, no, of course.

18 A. And the Montreal Shipping could be  
19 considered as casual tramps.

20 Q. None of the three could.

21 A. No.

22 Q. They have been in the trade for  
23 many decades. Was it then that these companies  
24 had to turn to U.K. registry, having contracted  
25 out their Canadian boats?

26 A. No, an element, it is a case, on  
27 my part, that I understand that Clarke Steamship  
28 Company Limited and the Montreal Shipping Company  
29 enter into a degree of competition in the  
30





1 package trade to Newfoundland. The rock that  
2 we transport in the opposite direction you  
3 might term a ballast movement. It does assist  
4 the people in the package trade and there is an  
5 element of competition there.

6 You will observe that Montreal Shipping  
7 are under British registry in entirety, the  
8 Clarke Steamship partially. Here again I am  
9 just projecting a surmise that possibly it was  
10 in the interests of Clarke Steamship Company to  
11 secure more of our traffic, thereby leave less  
12 for Montreal Shipping.

13 MR. GERIN-LAJOIE: Mr. Chairman, there is  
14 another question I would like to ask Mr. Handley.

15 Q. Mr. Handley, you mentioned that  
16 the transportation represented about 66% of  
17 the value of the raw material delivered at your  
18 plant in Montreal, Levis, is that right?

19 A. That is correct.

20 Q. Are you in a position to tell the  
21 Commission what proportion of the selling price  
22 of the finished product is represented by the  
23 raw material delivered to your plant?

24 A. I would have to obtain instructions  
25 on that, whether I could disclose such information  
26 to the Commission.

27 THE CHAIRMAN: Now, you have not to  
28 obtain any such instructions. You have been  
29 asked the question and it is a Royal Commission.  
30





1 If you know it, whether you have instructions or  
2 not, you answer it.

3 A. I am sorry, Mr. Chairman.

4 THE CHAIRMAN: I am in the hands of counsel  
5 here.

6 MR. GERIN-LAJOIE: Mr. Chairman, in other  
7 cases we have accepted such information on a  
8 confidential basis.

9 THE CHAIRMAN: All right, I will do that.

10 MR. HANDLEY: I think I would prefer that  
11 way.

12 THE CHAIRMAN: I wanted to make our position  
13 clear.

14 MR. GERIN-LAJOIE: Q. Would you submit it  
15 in writing to the Commission, please?

16 A. Yes, I will. I may say, as far as  
17 outbound transport costs are concerned, that is  
18 just outbound cost alone, that amounts to 25% or  
19 more of the gross selling price. That is a high  
20 figure, that does not take into account the  
21 transportation cost of our inbound raw material.

22 Q. That is the outbound cost of your  
23 finished product?

24 A. That is right.

25 THE CHAIRMAN: Very little of that goes in  
26 water, does it?

27 A. Very little of that goes in water.

28 MR. GERIN-LAJOIE: Q. And your company  
29 pays for the delivery cost?  
30







1           A.     Yes, sir.     On one material manufac-  
2           tured from gypsum, that is plasterboard, it is  
3           sold on the common delivered price.

4           Q.     Where is your Ontario plant situated?

5           A.     In Caledonia, Ontario, that is  
6           19 miles southwest of Hamilton.

7           THE CHAIRMAN:   In Woodstock, Paris, is that  
8           the same company there?

9           A.     Woodstock, that is a lime plant, my  
10          lord, a place we call Beachville in the Woodstock  
11          area.

12          Q.     That is your company, though?

13          A.     That is our company.

14          MR. GERIN-LAJOIE:   Q.   And Nova Scotia mines,  
15          you have the gypsum mines?

16          A.     Gypsum quarries.

17          Q.     And that is all?

18          A.     That is all.

19          THE CHAIRMAN:   You are not using those?

20          MR. GERIN-LAJOIE:   Q.   That is the only  
21          raw materials you have?

22          A.     We are not using it at the present  
23          time.

24          THE CHAIRMAN:   Is the cost of transporting  
25          your raw material much the same as the cost of  
26          transporting your finished product?

27          A.     Oh, no, sir.   It is much cheaper  
28          to transport, I mean, there is more value for  
29          weight in the finished product than with ---  
30





1 Q. Why would you carry your raw material  
2 all the way from Nova Scotia to Montreal?

3 A. It is indeed a question of the  
4 economics of the situation, Mr. Chairman, as  
5 to how your market is in relation to your raw  
6 material. Obviously your market is mainly in  
7 Quebec Province.

8 Q. Yes?

9 A. So that there is a better advantage  
10 to site a plant closer to the market and move it  
11 in by water, in this instance, given this par-  
12 ticular combination of circumstances.

13 Q. Thank you very much, Mr. Handley.  
14

15  
16 MR. MUNDELL: The next brief, Mr. Chairman,  
17 is that of the Ontario Shipping Intelligence  
18 Publishing Company. Mr. C.L.C. Allinson, the  
19 owner, is making the presentation on behalf of  
20 the company.  
21

22 SUBMISSION OF ONTARIO SHIPPING INTELLIGENCE  
23 PUBLISHING COMPANY

24 ---Mr. C.L.C. Allinson appearing.

25 MR. MUNDELL: I think, Mr. Allanson, it  
26 will be helpful if you were to give to the  
27 Commission and members of the audience in Toronto  
28 a sort of outline of the history and description  
29 of your publication.

30 MR. ALLINSON: Mr. Chairman and honourable





1 Commissioners, this Ontario Shipping Intelligence  
2 as a matter of fact is a hobby of mine. I have  
3 no such animals as subscribers. It is an  
4 expensive hobby of mine. I have been connected  
5 with shipping since before I was born. I came  
6 up here from Saint John, New Brunswick, 25 years  
7 ago and after the Second World War I decided to  
8 come back to the ships down at Thorold. I  
9 started then in a newspaper and I tried to  
10 develop the Canadian marine industry on the  
11 Great Lakes, published a few issues about once  
12 a month; until after the Noronic, and then I  
13 came over and the last two issues in newspaper  
14 form, the Noronic Special No. 1 and No. 2.

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16 (Page 4824 follows)  
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1           Then in the spring of 1954 when I saw this  
2 deep sea waterway was coming along I decided I would  
3 start out again in magazine form. Unfortunately my  
4 printers let me down and I did not get it until  
5 August, a little bit late, but as you will notice  
6 the first article is dated at Thorold "Deep Sea  
7 Waterway at last, May 7th". The Commons put the  
8 bill through on May 6th and that thing would be as  
9 of that following day.

10           Having been so interested in ships and  
11 shipping and the connection with marine life, I  
12 was over on the islands at that time, in the spring,  
13 studying the situation, studying Toronto Harbour.  
14 I came to the conclusion that Toronto Harbour was  
15 in bad shape, if it was ever going to take care  
16 of the traffic that could be coming from this deep  
17 sea waterway.

18           I made a very close study of things and I  
19 not only have my own experience but my brief is  
20 based largely upon the opinions of other people  
21 and supplemented by my own knowledge and observations.

22           So as to make my presentation as intelligent  
23 and as logical as possible, I brought a large number  
24 of exhibits here which were used by Mr. Justice Kellock  
25 in the Noronic enquiry, and with your permission I  
26 would like to see how many of them you wish.

27           I am also in another funny position. I have  
28 no axe to grind on behalf of anybody except the  
29 Canadian general public and generally the economy  
30





1 of Canada as a whole, particularly of this second  
2 largest city of Canada, this industrial centre of  
3 Canada, Toronto - not that I particularly like the  
4 city myself.

5       Anyway I have served copies of my brief.  
6 I am trying to make it as clear and intelligible  
7 as possible, and these are the people to whom I  
8 sent notices, the interested people.

9       The Honourable Kelso Roberts, Q.C.,  
10 because this comes under his riding and he is also  
11 Attorney-General for Ontario and he will be speaking  
12 for the Provincial Government.

13       A. L. S. Nash of the Department of Planning  
14 and Development.

15       Chairman Gardiner of the Municipality of  
16 Metropolitan Toronto.

17       Mayor Phillips of Toronto.  
18 Incidentally, the City of Toronto appoints three of  
19 the Harbour Commissioners.

20       Mr. Griffith, general manager of the Harbour  
21 Commissioners.

22       Mr. Inglis, Assistant General Manager of  
23 the Toronto Transit Commission.

24       Mr. Wilson, of the Transportation Department,  
25 Canadian Manufacturer's Association.

26       Mr. Alan Howard, General Manager of the  
27 Cayuga Steamship Company.

28       Mr. A. O. C. Cole, staff writer on the  
29 Great Lakes Ships, Globe and Mail.  
30





1           There is a lot of material from Mr. Cole's  
2 recent trip on the Great Lakes that I would like to  
3 put in as exhibits because there are scertain state-  
4 ments in it on May 11th and this will be an exhibit  
5 if you wish it. On May 11th Mr. Godfrey Scott  
6 writing from Hamilton was speaking about what  
7 Hamilton Harbour was doing and among other things  
8 they particularly mentioned that they were going to  
9 put in a vertical lift bridge for railway and  
10 vehicular traffic over the Burlington Canal, docks and  
11 slips along the western shore, docks along the Bay  
12 side of the Burlington Beach strip, and remove the  
13 centre pier of Burlington canal.  
14

15           THE CHAIRMAN: Would you repeat that, please?

16           A. Mr. Godfrey Scott in this article on  
17 Wednesday, May 11th in the Globe and Mail, he says  
18 that the general manager of the Harbour Commission  
19 showed a model of the proposed developments to the  
20 members of the Harbour Commission, including these  
21 things which were of particular interest. It includes  
22 a vertical lift bridge for railway and vehicular  
23 traffic over Burlington canal, docks and slips along  
24 the western shore near the high level bridge, and  
25 docks along the Bay side of the Burlington Beach  
26 strip.

27           Q. He seems to know much more about it  
28 than the Hamilton Commission. We went over the  
29 Hamilton Harbour and only a couple of those things  
30 were mentioned.







1           A.       Since my brief was originally prepared  
2 back in the spring, during the summer there have  
3 been changes taking place. I was just putting this  
4 in to show that it was not merely my own ideas that  
5 I am putting forward. Whether that is wanted as  
6 an exhibit or not, I do not know.

7           THE CHAIRMAN: I am afraid that is not such  
8 a dependable source that we would accept as an exhibit.

9           MR. MUNDELL: Mr. Chairman, may I say  
10 Mr. Allinson has some 55 exhibits and it seemed to  
11 me it would be possibly the best thing to do to save  
12 time marking each exhibit, we could put Mr. Allinson's  
13 exhibits in as one exhibit with the list he has  
14 already prepared as the sub-numbers of the exhibit  
15 and then it won't be necessary to mark each one of  
16 these exhibits and it may not be necessary perhaps  
17 to read them in great detail.

18  
19                               (Page 4828 follows)  
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1 THE CHAIRMAN: What about the record?

2 MR. MUNDELL: We could give the group one  
3 number as an exhibit and I have here a list  
4 which Mr. Allinson has prepared setting out  
5 the sub-numbers of each item.

6 THE CHAIRMAN: And the Commission can  
7 determine whether it must be published in full  
8 or not.

9 MR. MUNDELL: That is right, that is what  
10 I would suggest.

11 THE CHAIRMAN: All right, I will accept  
12 that.

13 MR. MUNDELL: If that is agreeable to you.

14 MR. ALLINSON: Yes, I only want to put in  
15 whatever the Commission wish.

16  
17 ---EXHIBIT NO. 163: Exhibits produced by Mr.  
18 Allinson, Ontario Shipping  
19 Intelligence Publishing Co.

20 MR. ALLINSON: I have taken a very large  
21 number of photographs myself showing the bulk  
22 carriers and their methods of unloading, and  
23 lake carriers and their methods of unloading,  
24 and all of the points which I have taken up in  
25 my brief I have either documentary or photographic  
26 support for.

27 I might say that the gist of my brief  
28 is that if Toronto wants to get its share of  
29 the traffic that is coming up the St. Lawrence  
30 after the deep sea waterway, it has got to





1 expand, it has got to put in different types of  
2 facilities from what it has now.

3 In order to do so it must expand over on  
4 to the Islands, that is the only place they can  
5 find firm soil. In order to be able to do so,  
6 because the opposition they have met in the  
7 past seems to have been from the municipal  
8 authorities, we certainly need a change in the  
9 Toronto Harbour Commissioners Act, 1911, which  
10 of course is a federal statute. I think that  
11 possibly has been one of the main reasons why  
12 they have not already expanded over in that  
13 direction.  
14

15 Then I have three letters, one from the  
16 John Inglis Company Limited talking about their  
17 needs for heavy lifts. I might say this is the  
18 only dock that I know of where you have to put  
19 everything over by the ship's tackle, you have  
20 no provision for heavy lifts.

21 THE CHAIRMAN: Oh, that is not so, is it?  
22 In the first place, there are travelling cranes  
23 and only yesterday there was a travelling crane  
24 working on the front, on the harbour front, and  
25 lifting 25-ton loads, and in addition there was  
26 a derrick on a dredge which lifts, I think it is,  
27 up to 40 tons, neither one of them ship's gear.

28 A. They have one 25-ton crane that I  
29 have not been able to find.

30 Q. But you just said there was nothing







1 but ship's gear?

2 A. I am talking of package freight.  
3 The crane which I saw of which I have photographs --

4 COMMISSIONER WICKWIRE: This was package  
5 freight we saw yesterday morning being unloaded.

6 A. All along the waterfront I have not  
7 been able to find one. I saw a five-ton one  
8 and I have a photograph of the five-ton.

9 THE CHAIRMAN: A big yellow one with  
10 "Boyce Machinery" on it, which was lifting 20-ton  
11 pieces out of the bottom.

12 A. What they have told me, sir, that  
13 their maximum load is five tons, unless it was  
14 a rented crane that is not usually down there.

15 Q. Rented by whom? This is not  
16 operated by the Toronto Harbour Commission at  
17 all. It is operated by the Boyce Machinery  
18 Company who have the contract of moving this  
19 particular material from the ship's hold to the  
20 place of destination.

21 A. What I mean is this, that was a rented  
22 crane certainly, but we haven't got here cranes  
23 that they have at every port that I know of  
24 with the capacities necessary for these heavy  
25 lifts, under the Harbour administration.

26 I have here a whole list that I am  
27 putting in of the harbours and the crane  
28 capacities that they have, and if it is desired  
29 I will turn to them.  
30





Then I have here some details on the borings, photographs of the proposed route, and then the differentials, all-rail per hundred pounds from Toronto to the Lakehead via water, to Winnipeg via the Lakehead, those differentials in another table of them; the Harbour Commissioners Act, excerpts if needed; and other published briefs that have already been published where I am using their statements they have made there in supplementing what I have said.

Then there are a couple of books on cranes,  
kindly loaned to me, which I can put in, by the  
Canadian Vickers, which are in that business.

Then these charts which were published --  
I don't know how much we need to discuss these.  
That is the chart which was published in the brief  
but could not be reproduced in case it is needed.

I don't know whether you gentlemen will be needing it, but I brought along a chart of the entire Lakes system about which we are speaking, if it is of any help; a chart of Lake Ontario showing the directions of movement of traffic; and finally the basic chart with which I am most concerned and which is the gist of the thing, the Port and Harbour of Toronto, 2065.

(Page 4832 follows)



G  
1/55

1 MR. C.L.C. ALLINSON (continuing): I only  
2 mention the crane capacity for package freighting,  
3 which is the main concern. At Antwerp, Belgium,  
4 with a population of 549,000 they have about 260  
5 berths for sea-going vessels; lifting equipment,  
6 700 key cranes,  $1\frac{1}{2}$  to 50 tons, of which 522 are  
7 owned by the city which administers the harbour and  
8 148 are privately owned; then there are 33 floating  
9 cranes, city and private, 27 with a lift of 10 tons,  
10 10 or 15 to 50 tons, and 6 from 80 to 150 tons.  
11 Amsterdam with a population of 834,500, again the  
12 harbour is administered by the city, 215 cranes  
13 with capacity up to 10 tons and 32 floating cranes,  
14 capacity up to 200 tons. At Rotterdam with a  
15 population of 710,000, 13 heavy bridges, 85 floating  
16 cranes, of which 26 are heavy lifts, 261 key cranes  
17 and 60 mobile cranes. Stockholm, population of  
18 761,718, including the suburbs it is 999,575, city  
19 owned cranes 169, electric capacity  $1\frac{1}{2}$  to 20 tons,  
20 2 floating cranes with capacity 6 tons, 4 steam  
21 cranes with capacity 20 tons, and there are also  
22 16 privately owned cranes of which 3 are on pon-  
23 toons. I might say that this is all in this ---

24 MR. MUNDELL: What is the number of this  
25 one in your list?

26 MR. ALLINSON: Exhibit 53, that is all  
27 on pages -- it is all there.

28 MR. MUNDELL: I think if it is filed it  
29 is not necessary to read it.  
30







1 MR. ALLINSON: I was just pointing out that  
2 these other cities, which are real ports, have a  
3 vast amount of cranes owned by the harbour adminis-  
4 tration and very often the city, and that is a point  
5 I am trying to make, that that is what we are lack-  
6 ing here.

7 The second point I am trying to make is that  
8 we have along here on the waterfront a railway line,  
9 one single railway line coming in from Bathurst  
10 Street, that is up here and along that line -- there  
11 is a photograph of it -- all of these trains are  
12 going up and down the city street to handle anything  
13 being shipped from the rail trains or on the rail  
14 trains. There are no public docks at which there  
15 are railway sidings alongside of the ship. You  
16 cannot load freight straight from rail car to ship,  
17 or ship to rail car; everything is done by a system  
18 of going through a warehouse, and I have photographs  
19 of that also. My contention is that if Toronto  
20 wants to take any of this package freight -- be-  
21 cause it is only the package freight which will  
22 be a greatly increased field, the bulk freight you  
23 don't need any equipment for, the tankers unload-  
24 ing and the cement carriers they have their own  
25 equipment -- it is the package freight which will  
26 have the great increase, and that is where you  
27 will need these cranes to be built to handle the  
28 package freight. You cannot do it economically  
29 along the waterfront because these borings show  
30





1 that that is all filled land, you get out anywhere  
2 from 25 to 30 or more feet before you get down to  
3 solid ground. The island used to make along there  
4 and then went on, and this is what makes a vagabond  
5 of the island, with the result that solid ground is  
6 10 feet at the very most at these points along  
7 here, and you cannot go out very well there. You  
8 see, the port was given to understand from the Harbour  
9 Commission that because the city authorities and  
10 the city residents were so opposed to the island's  
11 being taken over by anything but so-called recreation-  
12 al areas that they were even contemplating building  
13 a breakwater out here, making another harbour off  
14 Cherry Beach, and whereas by coming across -- your  
15 railway comes along and then you come down Cherry  
16 Street going on to the left into what was the first  
17 five years part of Ward's Island, and then you go  
18 on to the next, to Algonquin, and the next to the  
19 R.C.Y.C., and in twenty years' time it may be  
20 up there. This is the part that is used for re-  
21 creational purposes, and this part of Ward's Island  
22 may go off at any time. Ward's Beach will still  
23 be left and this recreational area will be left.  
24 Now, that is the gist of it. The only way  
25 Toronto can take care of this is by going over on  
26 to the Island. Now, I don't know what Metropoli-  
27 tan Toronto thinks of it, I don't know what the  
28 city thinks of it, but I know that a number of  
29 the Island residents are utterly opposed because  
30





1 they still want their park. My contention is that  
2 if they want to develop, that is the only way they  
3 possibly can, and although I don't say that it is  
4 necessarily the best solution, it is the only  
5 logical solution that I can see for here. My own  
6 belief is that it would probably be better to put  
7 this package freight on the solid rock down here on  
8 the west side of the ship canal where they have  
9 excellent conditions and warehouses, and not over  
10 here.

11 A lot of the Toronto manufacturers have told  
12 me, importers and so on, that they certainly do  
13 want to see a lot of crane and heavy lifts so that  
14 they can handle their products in and out, and it  
15 would have the further advantage of those bulk  
16 freighters that are now coming up to the head of the  
17 Lake empty, and I think we can say pretty well en-  
18 tirely in ballast, or almost all the time, and  
19 if there were the proper lifting apparatus these  
20 things could be put into the hold. The manufac-  
21 turers do not want their machinery as a deck load;  
22 they can be put into the hold of the freighters  
23 and go out at a very cheap rate. It would be a  
24 great help.

25 Taking the differential which I have  
26 given you here that the transportation department  
27 gave me, and remembering one thing, that in Class  
28 1 -- or, is it now Class 100 -- on every 100  
29 pounds going up from Toronto to Winnipeg by water,  
30







1 it is brought to the dockside and it goes to the  
2 Lakehead, and from the Lakehead on to Winnipeg by  
3 rail at 34¢ on every 100 pounds, that is \$6.80 on  
4 every ton or \$68 on a 10-ton load. That is a  
5 terrific saving.

6 MR. MUNDELL: The total of differentials  
7 is No. 51 of the last Exhibit?

8 MR. ALLINSON: As I say, that is just the  
9 thought that came into my mind, that if Toronto is  
10 going to take advantage and get the benefits of this  
11 top sea waterway you have got to do something about  
12 their cranes.

13 As I said before, I think that the trouble  
14 behind it is the set-up; the Harbour Commission Act  
15 of 1911 expressly provides for five Commissioners,  
16 one appointed by -- one of those Commissioners is  
17 appointed -- I don't remember now -- three of them  
18 were appointed by the Council of the City of Toronto,  
19 one by the Governor-in-Council, and one by the  
20 Governor-in-Council upon the recommendation by the  
21 Board of Trade of the Port of Toronto. I haven't  
22 the section here, but they are charged with ad-  
23 ministering the harbour and the land for the bene-  
24 fit of the City of Toronto. Well now, quite  
25 apart from the fact that Metropolitan Toronto has  
26 come into existence in the last two years and the  
27 situation changes in that respect, and we have  
28 also got to realize that the amount of traffic  
29 in Toronto harbour in 1911 when they were formed,  
30





1 that it was just a small port with nobody thinking  
2 of it as an international harbour at all, and as  
3 they show on their own chart -- you have already  
4 had the photographs given to you, I think they were  
5 given yesterday -- it shows that tremendous growth  
6 of trade. I don't like to remember photographs so  
7 I will just quote from here in my brief.

8 MR. MUNDELL: 343,000 pounds in 1912 on  
9 page 9 of your brief.

10 MR. ALLINSON: Page 9?

11 MR. MUNDELL: Yes.

12 MR. ALLINSON: Yes.

13 MR. MUNDELL: And it was 4 million 4 in 1953.

14 MR. ALLINSON: Those are the figures which  
15 they have on their chart, and as you see it has  
16 grown. The volume for the rail in the first twenty  
17 years, it went up from -- from very nearly \$2 million,  
18 and it more than doubled itself from the \$2 million  
19 to over 4 million, and I think that if they do  
20 improve their harbour they can certainly look forward  
21 to 10 or 15 million tons with a proper lifting  
22 apparatus for the bulk freight, and in order to  
23 do that I do suggest that the Toronto Harbour  
24 Commission Act needs to be revamped so that this  
25 port and harbour will be administered for the  
26 benefit of all Canada, and not just for the City  
27 of Toronto, the benefit of all Canada.  
28

29 When I was reading about this back there  
30 in the spring I was thinking that the National





1 Harbour Board, as my brief has suggested, the  
2 National Harbour Board would be better -- I believe  
3 this was in the public press -- the situation that  
4 Three Rivers has run into on the National Harbour  
5 Board, I will back down on that, and I am going to  
6 suggest that the position of the Harbour Commission-  
7 ers -- I do think that the Provincial Government,  
8 the Department of Planning and Development, should  
9 now have a chance to come in and that Metropolitan  
10 Toronto should have a chance to come in. In other  
11 words, if you have the Chairman appointed by the  
12 Governor-in-Council direct from Ottawa to appoint  
13 from the Provincial Government, the Department of  
14 Planning and Development, which must necessarily  
15 be vitally interested in it, and to appoint by the  
16 Metropolitan Municipal Council, I think that would  
17 go a long way towards helping solve this problem.

18 THE CHAIRMAN: The Federal Government would  
19 have one appointed out of five in connection with  
20 that National Harbour?

21 MR. ALLINSON: Pardon?

22 THE CHAIRMAN: The Federal Government  
23 would have one appointed out of five in connection  
24 with that National Harbour?

25 MR. ALLINSON: That is not a National  
26 Harbour.

27 THE CHAIRMAN: A harbour in the nation  
28 of Canada.

29 MR. ALLINSON: Oh, yes. They will appoint  
30







1 the Chairman.

2 THE CHAIRMAN: That is, one person out of  
3 five?

4 MR. ALLINSON: Personally I think that the  
5 Province of Ontario -- they know very well it is  
6 going to be very, very keen on seeing that Toronto  
7 harbour is well developed ---

8 THE CHAIRMAN: They have not seen fit to  
9 put a brief before this Commission.

10 MR. ALLINSON: No, and apparently -- I don't  
11 know whether they have or have not; that is what I  
12 say, I really don't know whether anybody is pressing  
13 this or whether they are not.

14 So, having made this brief statement, I  
15 would like to leave it go at that and answer any  
16 questions that are desired, and as I say, I have no  
17 particular axe to grind, I don't care whether they  
18 accept it or move the harbour over to Thorold or  
19 somewhere else.

20 MR. MUNDELL: I have ---

21 THE CHAIRMAN: Just a moment. We will  
22 have a recess -- you are going to begin ---

23 MR. MUNDELL: What I was going to say is  
24 that Mr. Allinson's brief is some twelve pages  
25 with exhibits and it sets out -- I thought I had  
26 a few questions for clarification, but Mr. Allin-  
27 son has dealt with them verbally, and in view  
28 of the very generous supply of exhibits he has  
29 provided us with I don't think I have any questions  
30





1 to ask. The brief goes into somewhat greater length  
2 than the verbal presentation.

3 THE CHAIRMAN: Are there other questions?

4 MR. GERIN-LAJOIE: This Commission was to  
5 have Mr. J.F.H. Teed, Q.C., of Saint John, New  
6 Brunswick, but however he has not ---

7 THE CHAIRMAN: Just a moment. Do you intend  
8 to examine at all?

9 MR. GRIFFITH: The last witness?

10 THE CHAIRMAN: Yes.

11 MR. GRIFFITH: No, sir, not at all.

12 THE CHAIRMAN: I beg your pardon. Is Mr.  
13 Teed here?

14 MR. GERIN-LAJOIE: He is not here. Mr. Teed  
15 had asked the Secretary to be here in Toronto, and  
16 the date has been advised in writing that he should  
17 be here on this very day, but he is not here today  
18 and I believe this will conclude today's hearings.

19 THE CHAIRMAN: We will adjourn now until  
20 10:00 o'clock tomorrow morning.

21  
22 ---Whereupon the hearing adjourned at 3:45 P.M.  
23 until 10:00 A.M. on Wednesday, November 2nd,  
24 1955.

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ROYAL COMMISSION ON COASTING TRADE

Vol. 15

Part C.

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1                    WEDNESDAY, NOVEMBER 2, 1955

2                    ---On resuming at 10.05 a.m.

3  
4                    MR. GERIN-LAJOIE: Mr. Chairman, the first  
5 appearance to-day on the list is that of Foster  
6 Wheeler Limited. The brief, Mr. Chairman, is  
7 No. 7, and Mr. E.L. Armstrong is appearing for the  
8 company.

9                    SUBMISSION OF FOSTER WHEELER LIMITED

10                   ---Mr. E.L. Armstrong appearing.

11  
12                   MR. GERIN-LAJOIE: Would you give your name  
13 and official position with the company?

14                   MR. ARMSTRONG: E.L. Armstrong, Public  
15 Relations.

16                   THE CHAIRMAN: Yes, proceed, please.

17                   MR. ARMSTRONG: Should I read my brief to you?

18                   THE CHAIRMAN: No, you may count on it  
19 that your brief has been read by all the Com-  
20 missioners, and you can give such comments as  
21 you wish.

22                   MR. ARMSTRONG: Foster Wheeler is of the  
23 opinion that unless Canada has coastal shipping  
24 confined to their own nation, it will greatly  
25 impede shipbuilding in general in Canada.

26                   Our company fully realizes that we are  
27 only a supplier of a component part, but it is  
28 an essential, and since 1954 we have not built  
29 any marine boilers, but since 1946 to 1954 we  
30





1 supplied them for 28 ships built in Canada.

2 Our reason for submitting the brief is not  
3 purely for our own company, but for the benefit  
4 of the shipbuilding industry in Canada as a whole.

5 From our past experience, we know that when  
6 World War II started we were not in the position  
7 to turn to and build marine boilers for the  
8 Royal Canadian Navy and the Royal Navy until a  
9 considerable period had elapsed. Should we get  
10 into this position again through no Canadian  
11 shipping and no market for boilers, in case of  
12 hostilities happening again we will be put back  
13 into the same undesirable position of having to  
14 start from rest.

15 MR. GERIN-LAJOIE: Q. Mr. Armstrong, I have  
16 a few questions in clarification of your brief,  
17 please. First of all, will you tell the  
18 Commission what are the general operations of  
19 your company, what do you manufacture?

20 A. We manufacture power plant equipment,  
21 stationary and marine boilers up to any capacity  
22 used in the Dominion of Canada, oil refineries  
23 and various mining machinery.

24 Q. Are you in a position to tell what  
25 proportion of the gross value of your products  
26 is for marine purposes?

27 A. At the present moment, no percent.  
28 Previously it varied up to 17.

29 Q. Was that during the war period?  
30







1           A.     No, I am not using the war at all,  
2 but since 1946.

3           Q.     Up to 17%?

4           A.     At the maximum.

5           Q.     In certain years. What would be the  
6 average, roughly speaking, since 1950 up to the  
7 present time?

8           A.     Four.

9           Q.     And do you have any competitors in  
10 Canada for supplying the shipyards?

11          A.     Yes, but if our company had to subsist  
12 on marine boilers we would never be here. There  
13 is not sufficient work to keep any one company  
14 alive in the Dominion of Canada. We have com-  
15 petitors, B.M.W. and Combustion, and I am not  
16 sure whether John Inglis don't try to build them  
17 too.

18          Q.     Do you have any competition from  
19 outside of Canada?

20          A.     No. Marine boilers can be brought  
21 into Canada duty free.

22          Q.     They can?

23          A.     Yes.

24          Q.     Are there some brought in, actually?

25          A.     There have been.

26          Q.     How long ago? You mean many years  
27 ago or in recent years?

28          A.     Within the last three years, not  
29 even new, second-hand.  
30





1 Q. I see, so you do have competition from  
2 outside of Canada?

3 A. From outside.

4 Q. How large is your company, how many  
5 employees do you have?

6 A. 500.

7 Q. And where is your plant situated?

8 A. St. Catharines, Ontario, that is eleven  
9 miles from Niagara Falls.

10 Q. That is the only plant you have in  
11 Canada?

12 A. In Canada.

13 Q. Is your company a Canadian incorporated  
14 company?

15 A. A limited company.

16 Q. Incorporated in Canada?

17 A. No, limited in Canada.

18 Q. But under the laws ---

19 A. Under the laws of Canada, yes. Head  
20 office is in New York.

21 Q. And is the company American owned or  
22 Canadian owned?

23 A. It is wholly owned by the American  
24 company.

25 THE CHAIRMAN: Head office in New York,  
26 you mean head office of the parent company?

27 A. The parent corporation, parent  
28 company. Head office for Canada is in St.  
29 Catharines.  
30





1 MR. GERIN-LAJOIE: Q. What is the name of  
2 the company owning all the shares?

3 A. Foster Wheeler Corporation.

4 Q. Do you manufacture in Canada every  
5 product you sell, or do you import some of them?

6 A. Every complete product we sell, yes,  
7 but we may import gauges for boilers or valves,  
8 but the complete product we would make at least  
9 85% both in size and in value.

10 Q. Is your company more of an assembly  
11 company than a manufacturing company?

12 A. Manufacturing plant from the basic  
13 ground up. We bring in tubes and plates and from  
14 them we make boilers.

15 Q. And do you sell to shipyards for  
16 naval ships as well as for merchant ships?

17 A. We have not since the war.

18 Q. You have not since the war?

19 A. No.

20 Q. All those naval ships which have been  
21 built you have not supplied them?

22 A. We have not supplied them with  
23 boilers, except two to the Argentine Navy.

24 Q. Is it because the naval ships do  
25 not need your product or because your competitors  
26 got the market?

27 A. It is a competitive product. They  
28 open up with a design competition and you sub-  
29 mit your design to the Department of National  
30







1 Defence. They choose the design they want and  
2 the submitter of the winning design gets the  
3 order.

4 Q. Have you supplied any goods or pro-  
5 ducts for the reconversion of ships in Canada?  
6 In recent years ships have been reconverted,  
7 transformed?

8 A. We have re-boilered some ships, yes,  
9 taken old boilers out and put new ones in and  
10 supplied them with condensers.

11 Q. That is all, Mr. Chairman.

12 THE CHAIRMAN: Are there other questions?  
13 Thank you, Mr. Armstrong.

14  
15  
16 MR. MUNDELL: Mr. Chairman, the next brief  
17 on the list to-day and of which notice was sent  
18 to the parties, was the brief of the Windsor  
19 Chamber of Commerce, and I do not believe there is  
20 anybody here.

21 MR. ELDER: Yes.

22 MR. MUNDELL: I beg your pardon. M.A. Elder,  
23 appearing on behalf of the Windsor Chamber of  
24 Commerce.

25 SUBMISSION OF WINDSOR CHAMBER OF COMMERCE

26 ---Mr. M.A. Elder appearing.

27  
28 MR. ELDER: Mr. Chairman and gentlemen, I  
29 am the Industrial Commissioner for the Windsor  
30





1 Chamber of Commerce. I am also Secretary of our  
2 Freight Traffic Advisory Committee of that  
3 organization.

4 MR. MUNDELL: Brief No. 47, Mr. Chairman.

5 THE CHAIRMAN: Proceed then, Mr. Elder.  
6 You may presume we have read your brief. We  
7 simply desire your comments and further elucidation  
8 of it now.

9 MR. ELDER: Mr. Chairman, our brief is very  
10 short, and the essence of the brief is that we  
11 feel that if Windsor is to realize the maximum  
12 advantage of its location on the St. Lawrence  
13 Seaway, that the forces of competition should be  
14 allowed to work to the fullest extent. We feel  
15 that no change should be made in the existing  
16 regulations.

17 MR. MUNDELL: Q. Could I ask you a few  
18 questions, Mr. Elder?

19 A. Yes.

20 Q. Are you in a position to give to the  
21 Commission statistical information relating to  
22 the tonnages in and out of the port of Windsor?

23 A. No, I am not.

24 Q. I take it that you really have not  
25 had the opportunity of doing a statistical  
26 analysis in support of your brief as to Windsor's  
27 position?

28 A. That is correct.

29 THE CHAIRMAN: Now, I notice you refer  
30





1 to ships of British Commonwealth registry operating  
2 in Canadian coasting trade. Now, what United  
3 Kingdom ships now touch Windsor in the coasting  
4 trade?

5 A. Mr. Chairman, I could not give you the  
6 names of the ships.

7 Q. Well, are there ships?

8 A. There are ships operating, yes.

9 Q. In the coasting trade, not in the  
10 international trade?

11 A. From Windsor to Newfoundland, yes.

12 MR. MUNDELL: Q. What would be the cargoes  
13 be?

14 A. Whiskey and canned goods.

15 Q. Are they general cargo?

16 A. Yes, principally package freight.

17 THE CHAIRMAN: Is that the Newfoundland-  
18 Great Lakes line?

19 A. I am sorry, sir, I don't know the name  
20 of the company.

21 Q. Is it a regular service?

22 A. I don't believe so.

23 COMMISSIONER WICKWIRE: Perhaps you could  
24 get that information and send it to us?

25 A. Yes, I could.

26 MR. MUNDELL: I should think what you  
27 would wish, Mr. Chairman, would be such infor-  
28 mation as is available as to any Commonwealth  
29 ships trading in and out of Windsor in the  
30







1       coasting trade.

2               THE CHAIRMAN: Yes, I think we should. My  
3       memory was that that line spoke of Toronto and  
4       Hamilton, not Windsor, but perhaps I am in error  
5       there.

6               MR. MUNDELL: Q. I understand from your  
7       brief, Mr. Elder, that Windsor is not primarily  
8       concerned in the problem of bulk cargoes, is that  
9       correct?

10              A. That is correct.

11              Q. So that your main interest would be  
12       in the expansion or the improvement of the package  
13       freight service?

14              A. That is correct.

15              Q. And you will let the Commission know  
16       how far British ships have engaged in that to  
17       date?

18              A. Yes.

19              Q. Have you made any study of the extent  
20       to which the Seaway will affect the traffic in  
21       and out of Windsor?

22              A. Yes, we have, in a very limited way.

23              Q. Could you give the results to the  
24       Commission?

25              A. We have discovered that most of our  
26       industry using water shipping facilities have  
27       their own loading and unloading facilities. We  
28       feel that will continue.

29                       The future for Windsor seems to lie in  
30





1 the development of better facilities for the  
2 loading and unloading, storage, of package freight,  
3 for diversifying industry and the new industry  
4 that is coming into Windsor rather than for the  
5 existing industry.

6 Our Junior Chamber of Commerce had an  
7 extensive study made of our existing facilities,  
8 and the facilities that should be provided for  
9 the future, by an authority from the United  
10 States.

11 A Civic Harbour Committee has been formed  
12 and the recommendation has been made that we  
13 form a Harbour Commission in order to effect  
14 the recommendations.

15 Q. Could you describe to the Commission  
16 in somewhat greater detail than I think you have  
17 indicated, the nature of the facilities at  
18 Windsor now, the nature of the arrangements?  
19 There is no Harbour Commission. Who manages ---

20 A. That is correct, there is no Harbour  
21 Commission. We have a Civic Harbour Committee  
22 on which Chamber of Commerce representatives  
23 sit, City Council members (the chairman is a  
24 City Council member), the local Real Estate Board,  
25 and a number of other groups.

26 Q. What are the functions of this ---

27 A. Study and report to the City Council,  
28 recommend to the City Council action that should  
29 be taken so that we can realize the full benefits  
30





1 of the Seaway and any Harbour development.

2 Q. So far as the waterfront goes, it is  
3 just property owned in the municipality and the  
4 municipality runs it?

5 A. In the major part of our shipping the  
6 people doing the shipping have their own facilities.  
7 In other words, the Ford Motor Company has their  
8 own dock, Hiram Walker's have their own dock,  
9 Canadian Steel Company have their own facilities.

10 Q. So far as any administration of the  
11 waterfront goes, it is just part of the municipality,  
12 is that it?

13 A. That is right.

14 THE CHAIRMAN: Well, Canadian Steamships,  
15 that is their own dock, too, is it?

16 A. That is a Government dock, they  
17 lease it. That is likely going to have to be  
18 moved in the near future as our civic development  
19 continues along the waterfront.

20 Q. Well, that central area is all to be  
21 park land, is it not, along there?

22 A. That is correct.

23 Q. Down as far as -- that direction  
24 would be west out there?

25 A. Yes.

26 Q. As far as that cement silo?

27 A. That is correct, sir.

28 Q. Then there is a dock now farther  
29 west of there, new dock, isn't there?  
30







1 A. Yes, Northwestern Steamships.

2 Q. And a dock at what used to be Sandwich?

3 A. Yes.

4 Q. That is where the new big dock is  
5 going in, is that it, at Sandwich?

6 A. There has been no definite location.

7 Q. Is there not a big pier there now  
8 with all the fill made on the sides but not in  
9 any way covered or paved?

10 A. Would you be thinking of the Canadian  
11 Rock Salt pier? It projects out into the water.  
12 It is quite a distance down the river.

13 Q. I mean just east of the Sandwich  
14 Court House.

15 A. That would be Northwestern Steamships.

16 Q. That is Northwestern Steamships?

17 A. Yes, I believe it has just been  
18 completed.

19 Q. Yes. Then, the other docks are in  
20 the Walkerville end, are they?

21 A. Two of them, yes, Ford and Hiram  
22 Walker's.

23 MR. MUNDELL: Q. You mentioned earlier that  
24 the development of the port facilities would be  
25 largely with a view to the future and diversifica-  
26 tion of the industries in Windsor. Can you give  
27 the Commission an outline of the moves in and  
28 out of Windsor, apart from the things you have  
29 mentioned, across the border, on the water? You  
30





1 mentioned things that went to Newfoundland. I  
2 do not think you have described the general  
3 trade that moves in there?

4 A. Mr. Chairman and gentlemen, we have,  
5 I believe, all the major canning companies in  
6 Canada represented in Essex and Kent County.  
7 They ship large quantities of canned goods both  
8 east and west.

9 Q. That is up the Lakes and down the  
10 Lakes?

11 A. Yes.

12 Q. By water?

13 A. By water. That is our major crop  
14 in that area. They have a longer growing season  
15 and it is pretty well a year-round employment  
16 in the plants and year-round freight movements.

17 THE CHAIRMAN: Well, this ship that went  
18 to Newfoundland from Windsor, where did it dock  
19 in Windsor?

20 A. It would dock at Hiram Walker's.

21 Q. I see, so that Hiram Walker's allow  
22 their facilities to be used for other than their  
23 own shipments?

24 A. No, it would be their shipment.

25 Q. Well, canned goods you said, also.  
26 They are not in that business.

27 A. The canned goods so far as I know  
28 have just been shipped to other points in  
29 Canada.  
30





1 COMMISSIONER WICKWIRE: Newfoundland is  
2 now part of Canada.

3 A. I realize that, sir. I am not sure  
4 whether they ship to Newfoundland or not. I know  
5 definitely that Walker's do.

6 MR. MUNDELL: Q. What else besides canned  
7 goods and whiskey moves in and out by water?

8 A. There are quantities of automotive  
9 parts.

10 Q. Moving out or in?

11 A. Moving out. We have steel coming  
12 down from Algoma and steel coming up from  
13 Hamilton.

14 Q. By water?

15 A. By water.

16 Q. Anything else?

17 A. Large quantities of wheat, of course,  
18 to the Hiram Walker Grain Corporation.

19 Q. And then is there anything else, or  
20 is the rest just miscellaneous?

21 A. Just miscellaneous.

22 Q. Would there be any considerable bulk  
23 in the miscellaneous, would you have any idea?

24 A. I don't believe so. As is generally  
25 known, Windsor is primarily automotive. It is  
26 diversifying rapidly. To give an example, in  
27 1941 we were 26% non-automotive; last year we  
28 were 44% non-automotive. That is an increase  
29 in our over-all employment. The industries  
30







1 which are primarily automotive are parts manufac-  
2 turers and they are very small. They in themselves  
3 are not large shippers but they provide large  
4 automotive companies with components, and of  
5 course the larger companies ship them as part  
6 of the whole.

7 Q. Have you any shipyards or shipbuilding  
8 facilities of any kind in Windsor?

9 A. No.

10 Q. I don't suppose you would be in a  
11 position to speak on behalf of the municipality  
12 to the problems of what they would think about  
13 doing for the shipyards if they happened to be  
14 in trouble.

15 A. I am really not qualified to speak  
16 on that.

17 Q. Representations have been made to  
18 the Commission, as you know, that the shipyards  
19 are in very serious trouble, and that the trade  
20 should be restricted in order to provide them  
21 with protection and with a market for Canadian  
22 ships. Have you any views on that or can you  
23 express anything on behalf of your Chamber of  
24 Commerce?

25 A. I really cannot. I have received  
26 no direction along that line.

27 Q. I don't think that your Chamber  
28 of Commerce is alone in not being able to  
29 express views on this type of question. I  
30





1 think that is all I have to ask, Mr. Chairman.

2 THE CHAIRMAN: Thank you very much.

3 MR. MUNDELL: I should say in relation to  
4 that last remark, that is not a problem  
5 that they generally study unless it is in relation  
6 to their own problem.

7  
8  
9 MR. GERIN-LAJOIE: The next submission, Mr.  
10 Chairman, is that of the John Inglis Company  
11 Limited. Mr. Baldwin is appearing on behalf of  
12 the company, Mr. Chairman. The brief number is  
13 No. 99.

14  
15 SUBMISSION OF JOHN INGLIS COMPANY LIMITED  
16 ---Mr. P.J. Baldwin representing.

17 MR. BALDWIN: Mr. Chairman, members of the  
18 Commission, gentlemen. I am appearing on behalf  
19 of John Inglis as the Executive Assistant of the  
20 company.

21 I would like to take this opportunity of  
22 thanking the Commission for permitting us to  
23 come before you and to comment on some of the  
24 items that we have included in our brief, and  
25 perhaps add a little more information that has  
26 occurred to us since the brief was submitted.

27 I believe we have set out in the brief  
28 the fact that the John Inglis Company is the  
29 major producer of marine propulsion equipment  
30





1 in Canada. I believe we have given you facts on  
2 the history of the company in that regard, its  
3 capital expenditures for that purpose, and  
4 employment figures.

5 On page 7 of the brief we include a summary  
6 of the amount of marine business which we have  
7 handled over the last 15 years. We do not,  
8 however, tell you what proportion that represents  
9 of the whole. Actually, if the marine plant is  
10 taken out of there, the item of \$8,250,000 which  
11 is really a capital expenditure undertaken on  
12 behalf of the Government, then I am able to tell  
13 you this morning that the balance of the business  
14 representing marine equipment which we have  
15 manufactured and supplied represents 40% of the  
16 total sales of the general engineering division  
17 of our company in the same period.

18 Further I should like to add that the present  
19 position is that after the end of 1956 we have  
20 nothing in sight in this line of business.

21 THE CHAIRMAN: That is the last 15 years,  
22 you say?

23 A. Approximately 15 years, yes. Mr.  
24 Chairman, I believe that we have two factual  
25 items that we would like to stress before the  
26 Commission this morning, and both of those  
27 items stem from the complexity of turbine  
28 manufacture.

29 With your kind permission I should like  
30







1 to call Mr. W.S. Phillip, the Manager of our  
2 Turbine Division, to acquaint you with some of  
3 the angles involved in this question of complexity  
4 of manufacture.  
5

6  
7  
8  
9 W.S. PHILLIP, called.

10 MR. PHILLIP: Mr. Chairman and Commissioners,  
11 gentlemen. Without intending to try and delve  
12 into the details of turbine design and construction  
13 and production at all, I just wanted to bring out  
14 a few points that would be indicative of the  
15 problems that we as manufacturers are faced with  
16 in providing and maintaining, in this constantly  
17 advancing technical world, facilities for  
18 production of this equipment.

19 The marine turbine, or it might be said of  
20 turbines in general, is only slightly over 50 years  
21 old. In that period they have gone from slow  
22 moving units to units in the current day which  
23 we are manufacturing, the rotors of which rotate  
24 at speeds varying from anywhere from 3,000 to  
25 10,000 r.p.m. There are not many commercial  
26 or naval units operating over the 6,000 figure.  
27 We are building one now which is operating con-  
28 siderably in excess of that speed and it presents  
29 to us a challenge to put out a good running  
30 unit.





1           The rotors, that is the rotating elements  
2           in these turbines, weigh anywhere from one to  
3           about three tons.

4           When you stop and assess those speeds in  
5           terms, you will find that the peripheral speed of  
6           certain of the larger blades of these rotors would  
7           run in the range around 400 to 800 miles an hour.  
8           That is what they will be operating at, and  
9           considering that speed in the mass you can probably  
10          appreciate the accuracy with which they must be  
11          manufactured.

12          At the same time the blades, the rotor  
13          itself, is forging material that is very critical.  
14          The stresses that are developed in it in the  
15          operation are high. We might add that up until  
16          the past few years there have been no facilities  
17          for the production of these in Canada, and it  
18          might be worthy of comment that our Government has  
19          seen fit over the last few years to establish  
20          facilities in this country for the manufacture  
21          of these, at a very great expenditure in the  
22          range of several millions of dollars.

23          So that it indicates that it was and is  
24          an important feature which must be maintained  
25          in the steel world, and from there on we have  
26          our responsibilities and problems in the accuracy  
27          with which we can machine these units and fit  
28          the blades to them.

29          The general trend of turbine design has  
30





1        been towards higher speeds.    The general principle  
2        has been compactness in space, light in weight,  
3        to reduce the engine room size on vessels, and  
4        to attain that we have come into the higher  
5        speeds.    We have gone into steam pressures which  
6        50 years ago they were using about 200 pounds  
7        steam, whereas to-day the current installations  
8        run as high as 650 pounds and over a thousand  
9        degrees of temperature of steam, and that makes  
10       a high demand on the type of steel, the accuracy  
11       of determining the physical characteristics of  
12       the steels that go into it, and also so far as  
13       the high temperatures and high stresses that are  
14       put into it, the details of manufacturing our  
15       component parts.

16  
17       Further to that, the constant change in  
18       designs, the advancements with various new features,  
19       makes our designs become obsolete very fast.

20       To set down a new design of turbine and lay  
21       out our plans, provide our production facilities,  
22       I have made just a rough estimate that if we start  
23       a new design, about  $1/8$ th of our man hours  
24       expended goes into engineering, design  
25       engineering; about  $1/8$ th goes into tool design  
26       engineering; about  $1/4$  into tool production; and  
27       about  $1/2$  into the actual production.

28       That is on the basis of producing one unit,  
29       so that it is seen there that it is imperative  
30       that those development costs be spread over







1 more than one unit. To make ourselves commercially  
2 competitive we have got to develop more than one  
3 unit to keep ourselves in the market.

4 (Page 4860 follows)  
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With your permission I would like to present a few samples of blading which were manufactured here. To give you an idea of the problems we are faced with in manufacturing these, we have there roots which are landed, and in machining these we must attain a degree of tolerance between the parallelity of the lands, and the distance between them, in the order of one-half of a thousandth of an inch. That is roughly half the thickness of ordinary tissue paper that is used for copy paper in offices. That paper on which you are writing is probably five one-thousandths of an inch thick. We must maintain tolerances of that sort, and it is important that we do not over-stress any one point in the blade root during assembly operation.

To attain that we require a large expenditure of time on tool design and tool production which, as I have indicated, is roughly 50 percent of the total time that we spend in producing these units.

There are other components such as nozzles, as we term them, which start out from solid bar stock. They come in varying sizes, and that is another indication of the complexity of our problems in manufacturing. One day we may be manufacturing these, and another day we may have a smaller size of this order (indicating), and tools to design it and fix it are different. If we are building one turbine we might need a hundred of these, while the tooling will produce thousands,





1 and must in order for us to be economical in opera-  
2 tion. The cost of producing our tooling to machine  
3 these components is very great. The men who do it  
4 have got to be acquainted with the details of these  
5 nozzles, and what points are critical. They have  
6 got to be aware of the shop problems, and they will  
7 only learn them through experience as to the best  
8 way of doing it, and the best way of tooling up, and  
9 the best and economical way of obtaining that exper-  
10 ience is only through continued work. It is only  
11 through continued work in that connection that they  
12 will achieve the degree of efficiency in all of their  
13 operations that will make it a practical operation.

14 I have no other points. I have only attemp-  
15 ted to try to give you an idea that there are  
16 definite problems, and it is essential that we be  
17 in a position to maintain our facilities, and con-  
18 tinuously maintain production in keeping with current-  
19 day practice, to enable us to maintain the crafts-  
20 men and the facilities for the production of modern-  
21 day turbines.

22 COMMISSIONER WICKWIRE: Q. I was not  
23 quite clear, Mr. Phillip. Do you also manufacture  
24 the tools that make these?

25 A. We manufacture as many as the facili-  
26 ties of our tool room afford. We do manufacture  
27 tools, and I would say our own tool room is limited  
28 strictly by its size and its personnel, and the  
29 amount we sub-contract to other tool rooms is  
30







1 strictly a function of the demand on our production  
2 capacity. But, I might suggest we do manufacture,  
3 I wager, about 50 percent of the tools that we would  
4 use, and we are limited only by our capacity.

5 MR. BALDWIN: Mr. Chairman, Mr. Phillip has  
6 conveyed to you some of the complexities of turbine  
7 manufacturing. Stemming out of this complexity is  
8 the very real question of the skills required com-  
9 mencing right at the design stage. We must have  
10 engineers like Mr. Phillip who appreciate the per-  
11 formance requirements that must be achieved and who  
12 can translate those back into a design. It is true  
13 that we get our design in principle from the Old  
14 Country, but in the adaptation to the Canadian needs  
15 we must maintain engineers who have an appreciation  
16 of the design problems. We have to maintain our  
17 metallurgical staff who are conversant with the metal-  
18 lurgical problems that arise at the higher tempera-  
19 tures and under the peculiar stresses that occur  
20 in modern turbine operation. Under conditions of  
21 reversing, for instance, they can be quite unusual  
22 and they present some peculiar problems.

23 Questions of radiographic examination of  
24 parts and the interpretation of those tests in the  
25 light of the special needs are peculiar require-  
26 ments in this business, and our metallurgical de-  
27 partment is enlarged over what it would normally be  
28 on that account.

29 I do not need to suggest to you that the  
30





1 testing of the turbines themselves is important,  
2 and we do perform overspeed tests on our turbines  
3 in our shops. The tests themselves and the ulti-  
4 mate installation requires the direction of engineers  
5 who are fully conversant with the requirements, and  
6 craftsmen who are able to carry out their instruc-  
7 tions.

8 As far as the crafts or the trades themselves  
9 are concerned, the chief skill seems to reside in  
10 the production of the steel castings that constitute  
11 the casings of these turbines. There, again, the  
12 requirements are quite severe, and you will appre-  
13 ciate that with the high temperatures and pressures  
14 we are encountering in these days any failure in  
15 the steel casing can mean serious loss of life.

16 The rotor is the second item where the craft  
17 angle takes on great importance. You are probably  
18 aware that the Dominion Steel and Coal Company,  
19 through their Trenton Steel Works, have developed  
20 a forging facility for the Canadian navy. It has  
21 been some years in the development, and the reason  
22 is that in order to be a forgemaster acceptable to  
23 the Canadian navy the forgemaster must make cer-  
24 tain forgings. They have to be cut up and destroy-  
25 ed, and the final results of the examination of  
26 their work has to be passed upon by the British  
27 Admiralty before they are considered approved forge-  
28 masters. That work has been carried out at Tren-  
29 ton, New Jersey, and it is a skill vital to the  
30





1 successful manufacture of turbine forgings.

2 COMMISSIONER WICKWIRE: Q. Did you say  
3 "Trenton, New Jersey"?

4 A. I am sorry, sir; I meant Trenton, Nova  
5 Scotia.

6 The question of loss of skills, Mr. Chairman,  
7 is a very important one, and is often not appreciated  
8 by those who have not seen the phenomenon of skills  
9 evaporating through the loss of use.

10 In our brief we have mentioned one, and I am  
11 referring to the steel castings which were produced  
12 for the Tribal class destroyers by the Canadian Car  
13 & Foundry Company during the last war. After many  
14 headaches and heartaches successful castings were  
15 produced to the requirements of those turbines in  
16 that period.

17 More recently we undertook for the Government  
18 the production of turbines for the escort vessels,  
19 and we turned again to the Canadian Car & Foundry  
20 Company, one of the foremost foundries in this part  
21 of the world, and asked them to produce castings,  
22 and somewhat to our surprise we found that the skill  
23 which is peculiar to the production of these modern  
24 castings had evaporated, and we, in effect, began  
25 from scratch again.

26 There is another very amazing instance that  
27 is not referred to in our brief that I would like  
28 to mention in support of that argument, and that  
29 is that this company, during the last war, probably  
30







1 became best known as a producer of small arms, and  
2 on the bulk basis probably represented one of the  
3 largest efforts in the war in that regard. We believe  
4 that we established an enviable record not only for  
5 production, but for the ability to design weapons,  
6 to do all our tooling, and to produce. It is with  
7 some degree of reticence, therefore, that I tell you  
8 this morning, Mr. Chairman, that some two years ago  
9 we undertook to make a few gun components for  
10 Canadian Arsenals, and we fell all over ourselves,  
11 and in the language of the street, why, we lost our  
12 shirt trying to do it.

13         The facts are that other than a certain amount  
14 of organizational knowledge that is still within the  
15 company, the skill and the technical know-how for the  
16 production of gun parts, which are not too dissimilar  
17 from the principles involved -- there are separate  
18 considerations, but they are not too dissimilar from  
19 the considerations that come up in these parts --  
20 that skill has completely evaporated, and is no long-  
21 er in the John Inglis organization.

22         The other point that I would like to empha-  
23 size which is mentioned in our brief on the basis  
24 of Mr. Phillip's problem of complexity, and that is  
25 the question of lead time. On the escort vessel  
26 turbines we expended some 40,000 hours on tool  
27 design. That is in designing the tooling prior to  
28 manufacture. The actual manufacture of that tool-  
29 ing took some 330,000 hours. Now, admittedly  
30





naval turbines are somewhat more complex than marine turbines, but it is due to this complexity of the work that the lead time is expended, and I think if you think in your deliberations in terms of about two years, assuming a proven design to start from, that you would not be far off what can be accomplished.

Mr. Chairman, much has been said before this  
a  
Commission on the necessity for defence facility.

We probably all deep down in our hearts have our own convictions on this matter. However, I suggest to you that there is something that we can present to you this morning that goes beyond just convictions. Back at the beginning of this year we concluded negotiations with the Government of Canada for the purchase of what we refer to as our Scarboro Works, a facility which was set up commencing in 1950 for the manufacture of these escort vessel turbines.

On April 4th of this year the Rt. Hon. C.D. Howe announced that John Inglis, through its parent company, English Electric Company of England, had acquired ownership of that plant, and that the deal included an agreement to hold the facility in a stand-by condition for the manufacture of turbines for a period of ten years.

I am suggesting to you that here is factual information that the Government of Canada considers that defence preparedness is important, and must be maintained. However, I would point out to you that that stand-by deal provides for the maintenance





1 of a building and of machine tools, both very impor-  
2 tant, but still in my humble opinion not nearly as  
3 important as the maintenance of the necessary skills  
4 which I am suggesting to you will again be dis-  
5 sipated unless there is enough work either of a naval  
6 type or of a commercial type to keep the arts alive.

7 I believe, Mr. Chairman, you might be inter-  
8 ested in some comment on relative costs of produc-  
9 tion between Canadian output of turbines and the tur-  
10 bines produced in the United Kingdom. I have tried  
11 to get some figures, but I have not been successful.  
12 I can admit this morning that our costs in Canada  
13 have always run somewhat higher than costs in the  
14 United Kingdom, but the amount by which they have  
15 been higher is unknown to me, because deliveries  
16 in the period following the war were always the  
17 criterion. We have, however, through this period  
18 been able to maintain ourselves in a competitive  
19 position against the U.S.A. On page 8 of our brief  
20 we do touch very briefly on the question of batch,  
21 or type, production of commercial turbines. We  
22 have a license from the Pametrada organization in  
23 the United Kingdom whereby we are in a position to  
24 manufacture turbines which can be built up to  
25 various horsepower capacities, so that we are not  
26 starting from scratch in every instance. We have  
27 certain components which can be assembled to pro-  
28 duce the power required within certain limits,  
29 and we just want to leave the thought with you this  
30







1 morning that in industry standards are not unknown,  
2 and we believe that under the proper circumstances  
3 there is a real opportunity for the development of  
4 a standard type of ship for the Great Lakes service,  
5 and for that purpose we believe that a standard  
6 line of turbines can be developed which would econ-  
7 omically be a very sound venture. Having once done  
8 the primary pattern-making and the tooling we can  
9 see our way clear to amortize that through sufficient  
10 production as the ships are required.

11 Today, however, anything along this line to  
12 take any leading steps under the present conditions  
13 would be very questionable from a business point of  
14 view. We are submitting that there is a real  
15 opportunity for a standard line of ships, and a  
16 standard line of machinery, to be developed if the  
17 outlook for the operation, and the consequent return  
18 on the operation, of those ships is assured.

19 Thank you very much, Mr. Chairman.

20 THE CHAIRMAN: Thank you.

21 MR. GERIN-LAJOIE: Q. Mr. Baldwin, I  
22 would like to ask you a few questions for the  
23 information of the Commission. Can you tell me  
24 whether your company is incorporated in Canada?

25 A. It is a Canadian company.

26 Q. Under the Federal law?

27 A. Exactly.

28 Q. And is it owned by the parent Eng-  
29 lish company or ---  
30





1           A.       Slightly more than 50 percent control-  
2       ling interest is owned by the English Electric Com-  
3       pany of England.

4           Q.       Now, will you describe in a summary  
5       manner the general operations of your company?    I  
6       understand you do not manufacture marine propulsion  
7       machinery only, but some other machinery?

8           A.       We have three divisions of the company.  
9       We have the general engineering division which manu-  
10      factures this marine equipment, and various other  
11      types of heavy industrial equipment -- paper machin-  
12      ery, boilers, pressure vessels, mining machinery,  
13      and so on.    We have a consumer production division  
14      which is an outgrowth of the war activity manufactur-  
15      ing home laundry appliances, and some of our con-  
16      sumer goods.   We have an electrical division known  
17      as the English Electric Company of Canada Limited  
18      at St. Catharines, Ontario, manufacturing rotating  
19      machinery -- electrical rotating machinery and trans-  
20      formers.

21          Q.       Can you tell us roughly what propor-  
22      tion of your total volume of business your marine  
23      equipment and manufacturing represents?

24          A.       In dollars?

25          Q.       In dollars.

26          A.       I think in terms of the figures that  
27      I quoted at the start of my remarks, that over  
28      the fifteen-year period it has been 40 percent of  
29      the general engineering division.   It is rapidly  
30





1 tapering off to nothing, and will come to an end  
2 at the end of next year, as we see it at the moment.

3 Q. And what proportion is it of the total  
4 business of your company -- that is, including your  
5 three divisions?

6 A. I am sorry, I did not ---

7 Q. You say it is 40 percent of the en-  
8 gineering.

9 A. Yes, of the heavy engineering.

10 Q. But you have two other divisions?

11 A. Yes, but they are in dissimilar fields,  
12 so I am sorry I cannot give you a figure of a per-  
13 centage of the total. I suggest to you it might  
14 not convey the comparison you are looking for because  
15 of the dissimilar character.

16 Q. Can you tell the Commission the rela-  
17 tive importance of your three divisions in volume  
18 of business?

19 A. I might create some argument from  
20 some of the fellows from the other divisions, but  
21 the general engineering division is the primary  
22 division of the company. It is the original part  
23 of the company, and the primary section.

24 Q. Have you got only one plant in  
25 Canada for that division?

26 A. No, we have a group of plants. There  
27 is one at 14 Strachan Avenue, Toronto, which is  
28 engineering and consumer products; we have the new  
29 plant in Scarboro which was erected with capital  
30







1 assistance from the Government and now reverted to  
2 us; and we have the electrical plant that I referred  
3 to at St. Catharines.

4 Q. When you mentioned the figure of 40  
5 percent for marine and naval purposes ---

6 A. That is right.

7 Q. --- that is the average for the past  
8 15 years?

9 A. Yes.

10 Q. Including the war years?

11 A. Yes.

12 Q. What would be the average for the last  
13 5 years, approximately?

14 A. It would probably be of the order of  
15 20 to 25 percent.

16 Q. That would be the average over the  
17 past 5 years, approximately?

18 A. That is correct.

19 Q. And it is tapering down at present,  
20 or will that be the average for the present or past  
21 year?

22 A. It is tapering down, and it will pass  
23 out next year unless additional orders are received.

24 Q. And I understand you correctly, do I  
25 not, to say that you supply both merchant ships and  
26 naval ships?

27 A. That is correct.

28 Q. And I also understand that you supply  
29 for the purposes of new ships and also reconversions  
30





1 and also repairs?

2 A. That is correct.

3 Q. Would you have any idea to what extent  
4 you supply material for repairs?

5 A. Repairs are not such a large function  
6 with us as they were in the old days of reciprocating  
7 engines, because the steam turbine is relatively  
8 simple, and unless somebody does something foolish  
9 there is not much required in the way of repairs for  
10 a considerable time. As some of these newer ships  
11 with the turbine installations require servicing  
12 that work will build up again, and if I may presume  
13 I might add that we feel that we are in a position  
14 to make any adaptations or modifications as may be  
15 indicated from the ships in service.

16 Q. Can you tell what is your present  
17 number of employees in the engineering division?

18 A. In the general engineering division,  
19 yes. It is about 1,000 at Strachan Avenue, and  
20 about 300 at Scarboro.

21 Q. And that is including the administra-  
22 tive personnel?

23 A. Yes.

24 Q. Officials and all full-time persons  
25 working in the company?

26 A. Yes.

27 Q. Now, can you tell the Commission to  
28 what extent there are any exchanges of services  
29 between the British company and the Canadian company  
30





1 in the way of designs or ---

2 A. Yes, the present naval turbine which  
3 we are making for the escort vessels is based on a  
4 design produced by the English Electric Company of  
5 England, which design was achieved by them and  
6 approval awarded to them as a result of an Admiralty  
7 competition in the United Kingdom ---

8 Q. Do you have any -- I am sorry?

9 A. With regard to the smaller commercial  
10 turbines which I mentioned which lend themselves to  
11 batch production, we have a license from the Pame-  
12 trada organization, which is a research organization  
13 formed by the leading turbine people in the United  
14 Kingdom for the purpose of keeping turbine designs  
15 right up to scratch and competitive with all other  
16 methods of propulsion.

17 Q. Are there any exchanges of skilled  
18 personnel between the two companies?

19 A. Yes. We do draw on the United King-  
20 dom occasionally for skilled personnel, and Mr.  
21 Phillip, for instance, has spent many months in  
22 England and at the Pametrada organization picking  
23 up ideas for our use.

24 Q. When you mentioned a few moments ago  
25 that skilled personnel for certain purposes have  
26 evaporated in Canada, are you in a position to get  
27 the skilled personnel from Britain if you needed  
28 them?

29 A. I would say No to that question. The  
30







1 answer shows up so clearly in the foundries, for  
2 instance. Canadian foundry sands are totally differ-  
3 ent from English foundry sands. A practice which  
4 they have found successful over many years in the  
5 United Kingdom cannot be translated intact into  
6 Canadian foundries with the expectation of getting  
7 the same results. I would think, to a slightly  
8 lesser degree, that is also true in the forging in-  
9 dustry.

10 Q. Do I understand that basic knowledge  
11 could be imported, if I might put it that way, with  
12 persons coming from overseas, but that it would have  
13 to be adapted to Canadian and American circumstances?

14 A. Certainly that is true as far as the  
15 production process is concerned.

16 COMMISSIONER WICKWIRE: Q. What type of  
17 personnel do you get from the United Kingdom, Mr.  
18 Baldwin?

19 A. We have had men who are specialists  
20 in tool design. We have had steel engineers who  
21 have worked on special phases of turbine develop-  
22 ment, and we have had production people also. When  
23 I say "production people" I, of course, mean pro-  
24 duction supervisors and not the actual work people.

25 MR. GERIN-LAJOIE: Q. Would you be in  
26 a position to say now, very roughly speaking, how  
27 many persons from England have come to your company  
28 in the past five years as skilled persons?  
29  
30





1           A.           In connection with this particular  
2 line, which I assume is what you are interested  
3 in ---

4           Q.           Well, I had in mind the whole general  
5 engineering division.

6           A.           Well, in the general engineering divi-  
7 sion I think it might run to a dozen or fifteen,  
8 but in this particular field I would not think, sub-  
9 ject to Mr. Phillip's correcting me, not more than  
10 five or six.

11           MR. PHILLIP:   Direct imports, no, but there  
12 are men who we have hired and who have had experience  
13 over there.   The number of the direct men we have  
14 brought over is not more than two or three.

15           MR. GERIN-LAJOIE:   Q.   And some of those  
16 were Canadians who went over there to get the know-  
17 how?

18           A.           No.

19           MR. PHILLIP:   No.   Some of them are British  
20 workmen who emigrated to Canada and who had the  
21 skills over there and we have employed them over  
22 here.   It was not a direct transfer.

23           MR. BALDWIN:   Could I say to that, that  
24 we have sent to England in addition to Mr. Phillip  
25 our Works Manager of the Scarboro division and  
26 two or three foremen before we started out on  
27 this project.

28           MR. GERIN-LAJOIE:   Q.   Now, are you  
29 facing any competition from other Canadian companies  
30





1 or manufacturers in the turbine field?

2 A. No.

3 Q. Do you have any competition from  
4 American sources?

5 A. Well, there is a very real threat as  
6 far as their potential ability to manufacture turbines  
7 is concerned should turbines be made in large quan-  
8 tities in the United States, but so far we have been  
9 able to hold our own against them.

10 Q. Have you supplied United States ship-  
11 yards, or ---

12 A. No, because we are faced with a 15 per-  
13 cent duty which prohibits our going into the United  
14 States.

15 Q. Have you supplied any United Kingdom  
16 shipyards?

17 A. No.

18 THE CHAIRMAN: Q. What duty is there on  
19 turbines being imported into Canada from (a) the  
20 United States, and (b) the United Kingdom?

21 A. From the United States they come in  
22 free. I am sorry but I cannot give you informa-  
23 tion on the United Kingdom.

24 Q. Well, certainly if they come in from  
25 the United States free, they would come in from  
26 the United Kingdom free. You cannot get into  
27 the American market because of the duty, but the  
28 United States turbines can come in and compete  
29 with you, and you are able to meet the competition.  
30







1 A. At the present time, yes.

2 MR. GERIN-LAJOIE: Q. You mentioned that  
3 at the present time the number of employees of your  
4 company in the general engineering division is about  
5 1,000; is that right?

6 A. Yes, plus the Scarboro works of about  
7 300 or 400.

8 Q. That would be 1,300 or 1,400?

9 A. Yes, that is right.

10 Q. How different from that figure was it  
11 two or three years ago?

12 A. I would think that it was slightly  
13 higher two or three years ago, but not significantly  
14 so.

15 Q. Has it been pretty steady during the  
16 past ten years, or so -- let us say from 1946?

17 A. It has been in the Strachan Avenue  
18 works; the Scarboro facility started at the request  
19 of the Government in 1950, and was built up in  
20 anticipation -- I believe the figures have been pub-  
21 lished and it is no secret -- of some 16 ship sets  
22 per annum, which, of course, has never been re-  
23 quired and never been achieved.

24 Q. Now, since over 50 percent of the  
25 shares of your company are owned by the parent  
26 English company do you have any idea of, or would  
27 you be able to submit to the Commission, possibly,  
28 in writing later on, the value in dollars which  
29 your company is earning for shareholders in  
30





1 Britain?

2 A. I would be glad to get that information  
3 for you. Actually, as most people in this area are  
4 aware, we have been running very much in the red  
5 for the last two or three years. We have a very  
6 serious problem because of several conditions, and  
7 one of them is the turbine business.

8 Q. Would you say that the dollar earnings  
9 for the English shareholders is not a significant  
10 element?

11 A. I am sorry -- significant in what way?

12 Q. Well, is not significant in regard to  
13 the United Kingdom balance of payments?

14 A. Well, so far all they have been doing  
15 is putting money into our Canadian company. They  
16 have not got anything out of it yet.

17 Q. That is a sufficient answer, I suppose.  
18 There is one question I would like to ask in connec-  
19 tion with the recommendation you make in your  
20 brief, and that is -- well, I am referring now to  
21 page 3 of your brief at the bottom of the page  
22 where you urge that the Commission recommend to the  
23 Government of Canada (b) encouragement to the build-  
24 ing of replacement ships and their machinery for  
25 trade in Canada. Do you have any suggestions or  
26 recommendations as to how the Government should  
27 encourage this building of replacement ships?

28 A. With regard to the method of encour-  
29 aging the building, sir, we do not feel competent  
30





1 to even comment on. We do believe that with the  
2 change in the geographical situation there is a real  
3 opportunity for a modern, fast type of vessel that  
4 will go a long way towards meeting the threatened  
5 competition, but we stress from our standpoint that  
6 the program must be protected in such a way that  
7 we, for instance, can see our way clear to make the  
8 necessary investment in tooling, patterns and other  
9 facilities to provide turbines for such a program.

10 Q. You do not suggest that Canadian ship-  
11 owners should be forced to replace their ships  
12 after a certain number of years, or anything along  
13 that line?

14 A. We are not suggesting that they should  
15 be forced to, but we believe that with a relatively  
16 clear picture ahead of them there is very real  
17 opportunity for the replacement of them to their  
18 advantage, and for the general economic good of the  
19 country.

20 MR. GERIN-LAJOIE: That is all I have, Mr.  
21 Chairman.

22 THE CHAIRMAN: Are there further questions?

23 COMMISSIONER WICKWIRE: I have a ques-  
24 tion.

25 Q. Mr. Baldwin, there is one thing that  
26 is not clear to me. Mr. Phillip said that new de-  
27 signs make older equipment obsolescent very quickly.  
28 He was talking about the construction of turbines,  
29 and then you come along and say you believe a  
30







1 standard line of turbines could be developed which  
2 could be economical if the outlook and return situa-  
3 tion was assured. Now, one of you says that a  
4 turbine, the minute it is built, becomes obsolescent  
5 very quickly because of new designs, and the other  
6 one says if you can get -- you must be talking about  
7 different vessels. Would you clarify that for me?

8 A. I believe both statements are correct.  
9 We are talking about the Pametrada design and  
10 the unit sub-assemblies which can be combined to  
11 give a total horsepower to meet the ship require-  
12 ments. It is possible provided we are working on  
13 it to introduce the necessary modifications to keep  
14 abreast of the art in those individual components  
15 without any conflict with the idea of standardized  
16 construction, as I see it.

17 Q. Thank you. Then, the only other  
18 question I have is -- you are in competition, I  
19 take it, with the United Kingdom firms which are  
20 building turbines?

21 A. That is right.

22 Q. Would you ever be in competititon  
23 with our own parent company?

24 A. That is a hard question for me to  
25 answer. I would expect, if it was business  
26 available here in Canada, that the British com-  
27 pany, as they have done in other lines, would give  
28 us every assistance over here to take full advan-  
29 tage of it.  
30





1 THE CHAIRMAN: Are there any further ques-  
2 tions?

3 Thank you, Mr. Baldwin.

4 MR. BALDWIN: Thank you very much.

5 THE CHAIRMAN: We will recess for ten  
6 minutes.

7  
8 --- (A short recess)

9 MR. MUNDELL: A brief has been filed on be-  
10 half of Kent Lines Limited, Brunswick Motors Limited  
11 and Irving Pulp and Paper Limited. Mr. J.F.H. Teed,  
12 Q.C., of Saint John, New Brunswick, is representing  
13 the companies. I would suggest, Mr. Chairman, that  
14 the brief be filed as an exhibit.

15 THE CHAIRMAN: It will be Exhibit 164.

16  
17 --- EXHIBIT NO. 164: Brief of Kent Lines Limited,  
18 Brunswick Motors Limited and  
Irving Pulp and Paper Limited.

19 \_\_\_\_\_

20  
21 SUBMISSION OF KENT LINES LIMITED, BRUNSWICK  
22 MOTORS LIMITED and IRVING PULP AND PAPER  
LIMITED

23 ---Mr. J.F.H. Teed, Q.C., appearing.

24  
25 THE CHAIRMAN: Yes, Mr. Teed?

26 MR. TEED: I regret, gentlemen, I was  
27 not here yesterday. I had made reservations to  
28 fly up here on Monday evening, but unfortunately  
29 the flights were all cancelled down there. I

30





1 also regret that Mr. K.C. Irving has not been able  
2 to be here today. He planned to fly up here yester-  
3 day, and in speaking to him yesterday he said they  
4 had had more trouble down there and he just could  
5 not be here today.

6 I have brought the brief which has been pre-  
7 pared. Its preparation was somewhat delayed because  
8 he has been away a great deal, and some of it he  
9 had intended to amplify by statements made here,  
10 but unfortunately they cannot be made today. If  
11 there is an opportunity of answering such questions  
12 as might be put to him elsewhere at some other  
13 time he would be very glad to attend and give fur-  
14 ther information.

15 This brief is filed on behalf of the operator  
16 of four Canadian steamships. They are Canadian-  
17 built, Canadian-manned and Canadian-owned. That is,  
18 the control of them is Canadian. It is joined by  
19 Irving Pulp and Paper Limited, and you have, per-  
20 haps, seen their plant in Saint John. It is being  
21 enlarged and probably the capacity will be doubled  
22 when the extensions are completed.

23 The ships are of varying kinds. They are  
24 diversified. There is a package cargo ship,  
25 tankers, and a ship with no 'tween decks which is  
26 suitable for cargoes such as pit props which are  
27 not packaged and not liable to breakage.

28 Mr. K.C. Irving has been associated with  
29 shipping and other enterprises for a good many  
30







1 years. I enquired whether there was anyone else  
2 who would be in a position to answer factual ques-  
3 tions if he could not attend, and he told me that  
4 unfortunately there was no one else who would be in  
5 a position to answer, so I have received from him  
6 certain information which I would pass on to the  
7 best of my ability. It is not written out and I  
8 hesitate to volunteer it because I might not be  
9 quite accurate. He wanted to be very accurate in  
10 his presentation.

11 Although you might say that it is in the  
12 interests of this ship operator to participate in  
13 a monopoly by excluding, or seeking to exclude, from  
14 the coastal trade ships which are not of the charac-  
15 ter of these four, I do not seek that. It is the  
16 opinion of Mr. Irving that it is in the over-all  
17 interests of the country that its shipping trade,  
18 both foreign and coastal, or domestic, should be  
19 open to competition. He does not go so far as  
20 to say the coastal trade should be opened to world-  
21 wide competition; it should be opened to Common-  
22 wealth competition.

23  
24  
25 (Page 4890 follows)  
26  
27  
28  
29  
30



re C  
1.2/55

1 MR. TEED (continuing): These ships -- in  
2 respect to which I have some information -- are en-  
3 gaged at times in coastal and at times in inter-  
4 national or deep-sea trade.

5 I don't propose to read this brief, which  
6 in some respects is argumentative; it was prepared  
7 that way because I felt when I prepared it that I  
8 might not participate in any other argument. It  
9 may be that our ideas down there may change, and  
10 if given an opportunity we may participate in the  
11 argument at a later date. At the moment there  
12 are certain argumentative submissions there, which  
13 I don't think I will repeat, but they are made in  
14 writing and I may refer to them too often, but  
15 there are some things there which I think might  
16 require some little explanation. I regret that  
17 I have not got enough copies of this brief to dis-  
18 tribute to everyone; it was only completed yester-  
19 day and there are about four different kinds of  
20 typing in there, we have a number of typists who  
21 did the best they could to get it ready, but  
22 there wasn't time to get it mimeographed and  
23 copies available for general distribution.

24 Now, on page 4 of this brief it refers  
25 particularly to the Eastern Coast area. The  
26 Irving organization knows very little of the cen-  
27 tral area transportation problems; some of their  
28 ships have been up in this area, but speaking  
29 generally this is rather remote for them. Their

30 (Page 4892 follows)





1 business activities are generally in the East Coast  
2 section.

3 Now, they find down there that their ships,  
4 or ships suitable for that type of trade, must be  
5 constructed so as to face ocean conditions, if  
6 their primary intent is coastal. However, they are  
7 on the Atlantic Ocean in part, and you are open to  
8 all the hazards of conditions on ocean-wide expan-  
9 sions, and ships must be able to withstand that,  
10 which means they must be built somewhat differently  
11 from those which may be sufficient in the Great  
12 Lake and canal areas where harbours are, speaking  
13 generally, not too distant and the water expansions  
14 are not as great or conditions might not have the  
15 same effect.

16 Now, we do have some areas down there --  
17 and I am speaking now of New Brunswick -- which are  
18 ice-bound in some seasons of the year. I haven't  
19 the dates, but the North Shore of the Province is  
20 ice-bound from some time usually in December until  
21 the latter part of March; some times later and some  
22 times earlier. When that happens the ships must  
23 either be laid up or must pay the port, and in  
24 this particular instance it is not the policy  
25 of the ship operators to lay up their ships, they  
26 keep them employed. They have got to meet  
27 pretty active competition, because when you trade  
28 foreign you are up against ships of all nations,  
29 not merely those of British Commonwealth-built or  
30







1 registration.

2 Now, there are difficulties in these ships  
3 being serviced wholly in Canada. It is desirable  
4 that they should be, but again I am speaking from  
5 instructions and partly from the brief, but it has  
6 been found from experience that the costs of main-  
7 tenance and repairs in Canadian yards is relatively  
8 higher -- not necessarily in terms of dollars always  
9 -- than can be obtained elsewhere. It is unfor-  
10 tunate, but it just is so.

11 Now, speaking for example of the rate at  
12 which repairs or maintenance work can be accomplished,  
13 I am informed that in some United States yards,  
14 although the rate of pay to the men engaged in the  
15 work may be higher than in Canadian yards, that the  
16 work is done more quickly and at less over-all cost  
17 because of the fact the ship is not laid up as  
18 long, and I think the right word is that the ef-  
19 ficiency of the men is greater. It may be their  
20 apparatus or equipment is better, I don't know  
21 what the reason is, but the result is that a par-  
22 ticular job, I am informed, can be done at less  
23 cost to the shipowner, over-all less cost to the  
24 shipowner in the United States yards than in  
25 most Canadian yards, I will not say all but in  
26 most.

27 COMMISSIONER WICKWIRE: That is with  
28 the duty?

29 MR. TEED: Speaking of the information  
30





1 which I am given, I cannot speak exhaustively as  
2 to that, but I am told by Mr. Irving that on occasions  
3 he has this work done in the United States and it  
4 is cheaper for him to have it done there than it  
5 is to have it done in Canadian ports.

6 COMMISSIONER WICKWIRE: He must have to pay  
7 25 percent duty.

8 MR. TEED: I cannot answer that. You see --  
9 at least, I am told, and again I am sorry he is  
10 not here to speak facts, that one big item of cost  
11 is the lay-up period when the ship is not earning,  
12 and an operator can well afford to pay more in terms  
13 of dollars if the ship is serviced in a much  
14 shorter period of time, substantially shorter period  
15 of time. Now, I don't want to be considered here  
16 as running down the Canadian shipyards, that is  
17 not my wish; I am expressing the point of view of  
18 the private ship operator who is not subsidized  
19 and who is not running on a regular service, his  
20 boats don't do that, they go about carrying  
21 trade where and when it is available.

22 Now, on page 6 I have made some reference  
23 in this brief to what I call the national defence,  
24 and I may say that when this Commission was in  
25 Saint John I appeared before you and asked a few  
26 questions, and I at that time had not had the  
27 opportunity of familiarizing myself with what ar-  
28 guments were being advanced pro and con on  
29 Canadian coastal shipping. However, since then,  
30





1 through the kindness of counsel, I was able to  
2 examine the briefs -- or the 111 briefs which had  
3 been filed -- and as a result of that examination  
4 I made some compilation of figures on page 6 res-  
5 pecting what I call the development of Canadian ship-  
6 building industry from 1939, during the war period,  
7 and since. A great deal of stress has been laid  
8 in some of the briefs upon the necessity of keeping  
9 shipyards fully developed and manned and suitably  
10 equipped for use in a national emergency, such as  
11 a war. I find, and I may say I am talking now of  
12 my data from briefs which have been submitted, I  
13 have not personally checked these, but that report  
14 was made some time ago to the effect that the  
15 personnel of 7,000 in the yards throughout Canada  
16 would be adequate as a nucleus to keep the shipyards  
17 relatively organized for expansion in case of a  
18 war. Let us assume that these figures are less  
19 than those which may be considered should be essen-  
20 tial. That report was made some time ago, but  
21 it showed 50 percent for 10,000 personnel, and  
22 according to the statistics filed employment in  
23 the shipyards has never dropped below 10,000,  
24 and I am speaking now of all Canada, since the  
25 cessation of hostilities.

26 THE CHAIRMAN: What will it do one year  
27 from now when the destroyer escort program is  
28 well nigh completion?

29 MR. TEED: Mr. Chairman, with respect to  
30







1 that in my opinion, for what it is worth, and it is  
2 only my opinion, if it is in the national interests  
3 that the shipyards should be maintained in efficient  
4 condition I think it is ---

5 THE CHAIRMAN: Now, Mr. Teed, you are leaving  
6 the question I put to you. Don't let us discuss  
7 whether it could be by subsidizing or some other  
8 means, but what will the employment in the shipyards  
9 be a year from now? As to the point that it has  
10 never dropped close to the 10,000 which you would  
11 like as a nucleus, I say what will it do a year from  
12 now?

13 MR. TEED: I can't answer that.

14 THE CHAIRMAN: I think there is a little  
15 validity to the argument that the 10,000 is enough  
16 so far, but what about the danger if, in fact, it  
17 will be a great deal lower than that 10,000 a year  
18 from now?

19 MR. TEED: Well, if that happens I suggest  
20 something should be done to help it; I am talking  
21 now of the defence angle. What should be done  
22 is perhaps why we are having the discussion. One  
23 group suggests that what should be done is to  
24 restrict the coastal trade. Another suggests  
25 that if and when the necessity arises some kind  
26 of assistance should be given, but not by restric-  
27 tive measures. Now, unfortunately, Mr. Chairman,  
28 I am not a ship man, I am a lawyer, and I cannot  
29 very well answer factual questions on matters of  
30





1 that kind; I can argue or submit, and that is as  
2 far as I can go.

3 I think that covers what I want to say down  
4 to page 8.

5 Now, page 8 dealt with matters with respect  
6 to which Mr. Irving had expected to give facts and  
7 figures personally if they were asked.

8 MR. MUNDELL: If you will permit an inter-  
9 ruption, I would suggest that possibly the addition-  
10 al information could be submitted in writing at  
11 your convenience.

12 MR. TEED: Well, if the Commission would  
13 indicate just what they want after, perhaps, I have  
14 finished.

15 MR. MUNDELL: All right.

16 MR. TEED: Adequate transportation facilities  
17 are essential for the development of any area. In  
18 many sections of the eastern area water transporta-  
19 tion is the only means of conveyance. In some  
20 other areas where there are other transportation  
21 facilities water transportation is the most suit-  
22 able. The Canadian National Railway is essentially  
23 a subsidized transportation organization. The  
24 country, as a whole, pays any deficit it incurs  
25 in its operations. It is no secret that the  
26 Canadian National Railway in the East cannot be  
27 counted on to supply transportation -- making due  
28 allowance for general economic changes and opera-  
29 ting costs -- on a sound, continuous and steady  
30





1 rate basis; this has been definitely demonstrated  
2 over the last twenty years. Mr. Irving was in a  
3 position to give particular illustrations of areas  
4 where there had been difficulties with the Canadian  
5 National Railway Company, and I think perhaps it  
6 is -- I am at liberty to say this, that he was  
7 asked as to what were his water transportation costs,  
8 so that the intent being that the railway could  
9 reduce. I don't wish to give an opinion, but the  
10 railway did make a very substantial reduction which  
11 is all right in one sense, if it could be counted  
12 upon to be continuous, but the difficulty with the  
13 railway rates in some areas at least is -- I think  
14 it is a matter of record -- that they have season  
15 rates; one rate when water competition is available  
16 and a substantially higher rate when, because of  
17 water conditions such as ice and so on, water  
18 competition is not available. Now, this again  
19 is information, but I take it to be correct, that  
20 if you are engaged in water competition you must  
21 have facilities, considerable facilities, at your  
22 terminals to take care of what comes in. Now, I  
23 am thinking at this moment in particular of tankers  
24 which carry liquid products, and they require  
25 special equipment to be handled at the terminals.  
26 I don't know anything about the capital costs in-  
27 volved, it must be something, but I think this has  
28 happened; that when water transportation handling  
29 facilities were explored in a certain area for a  
30







1 particular customer, that railway rates to an adjacent  
2 area were very substantially cut, but not cut to  
3 the place where the water transportation facilities  
4 were available. The result, as I understand it,  
5 was this; the people who never had water transpor-  
6 tation had a cheap rate the year 'round, and the  
7 party who had water transportation had a cheap rate  
8 by water for, say, eight months in the year, but  
9 a high freight rate to that area during the remain-  
10 ing four. Now, that didn't continue throughout  
11 all the time, but it is an illustration of the  
12 policy of the railway in the East. I am not going  
13 to suggest to try and kill this water traffic.  
14

15 Now, the next paragraph here deals with  
16 shipping control and policies. Difficulty has  
17 been experienced in the Eastern area because there  
18 is only one shipping control which is located in  
19 Ottawa distant from the Eastern Coastal area.  
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24 (Page 4900 follows)  
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1 It is submitted that an Atlantic coastal control  
2 should be established and that it should be given  
3 full authority to deal with all situations which  
4 properly should be within Canadian control with  
5 respect to both coastal and deep sea shipping  
6 in the eastern area.

7 It is further submitted that the provisions  
8 of the Statutes respecting shipping and the  
9 regulations made thereunder should be clarified  
10 and simplified. At present they are so obscure  
11 that no ship owner or prospective ship owner  
12 can be certain just what his rights are. A  
13 clear-cut policy in respect to the importation  
14 of ships to be placed under Canadian registry  
15 should be established.

16 Now, with respect to that, these difficul-  
17 ties -- I am told -- arise quite frequently.  
18 Ultimately they are solved, but only sometimes  
19 after a period of years. Now, one illustration,  
20 and I have a fairly accurate memory on this  
21 point, is that one ship -- it is not one of the  
22 ships I am representing now, but a ship acquired  
23 by the Irving interests -- was re-engined in  
24 the United States and in that job I understand  
25 she had steam and she was re-engined with Diesels,  
26 and the engine had a cast in the crankshaft  
27 which was a -- I am not sure of the right word --  
28 but it was a type of engine which was acceptable  
29 to the United States Bureau of Shipping at that  
30





1 time. When that ship was brought up here it was  
2 refused a Canadian registration, and I think I  
3 am correct in saying that it was registered  
4 in Newfoundland, which accepted the same  
5 standards as the United States. When New-  
6 foundland came into Canada it had to be shifted  
7 again to another British registry. Now, that  
8 has been changed since; I mean, later on it was  
9 accepted as all right and brought in, but it  
10 is one of those things that I am told is  
11 difficult to deal with because of what they  
12 call down our way district control. They are  
13 too far off, the man is too far off.

14 THE CHAIRMAN: I don't understand you.  
15 There are telephones, are there not, in Saint  
16 John to speak to Ottawa? Mr. Wickwire goes  
17 back and forth so often he looks like a  
18 commuter. It is not too difficult.

19 MR. TEED: Well, I cannot answer your  
20 observation, Mr. Chairman, from personal  
21 knowledge; I will give an illustration of my  
22 own a little later on, this has to do with  
23 the Irving organization and it is something I  
24 myself experienced. I don't want to reflect  
25 on personalities at all, it is not intended  
26 to be that, but I am told that it took years  
27 to get that done in spite of representations  
28 made time and time again. It took years to do  
29 that, and other illustrations can be given of  
30







1 exactly the same thing, getting something through  
2 took years, because -- well, I can't say except  
3 that the feeling down there -- at least, I talked  
4 with those who were represented and the outlook  
5 up there appears to be ---

6 THE CHAIRMAN: Not your outlook; they have  
7 different views up there in Ottawa. It doesn't  
8 matter whether Ottawa is 1200 miles away from  
9 Saint John or 1200 feet; the two men in the  
10 different places have different views.

11 MR. TEED: They have different views and  
12 don't have the opportunities to sit down and  
13 talk across the table.

14 THE CHAIRMAN: It is not very far, I  
15 believe, to go. In fact, it is only a matter  
16 of two or three hours, isn't it, or four or  
17 five?

18 MR. TEED: Four or five hours by plane if  
19 the planes are not grounded.

20 THE CHAIRMAN: Well, they are not always  
21 grounded, not even on the Atlantic Coast.

22 MR. TEED: Well, Mr. Irving could have told  
23 you exactly what happened, but I don't know; he  
24 tried and tried and tried again and just go  
25 nowhere for some years.

26 Now, this again is another illustration,  
27 and this is my experience for another client  
28 quite a few years ago. Now, this client proposed  
29 to engage in a certain international shipping  
30





1 venture, coming into Canada or Canadian water,  
2 and he asked me, "Is it all right for me to do  
3 it; I don't want to break any of the laws of  
4 Canada." Well, I made the best investigation I  
5 could and I told him, "I think you are all right."  
6 "Well," he says, "I want to be sure; will you go  
7 up to Ottawa and see the people up there and ask  
8 them." So I went to Ottawa and I interviewed  
9 the Deputy and he looked the matter over and he  
10 said, "I don't see anything against it but I  
11 want to check it." He said, "It is outside of  
12 my experience," so we went in to see the First  
13 Executive Assistant and they went over the matter  
14 and the First Executive Assistant said, "It is  
15 out of my experience; I don't see anything  
16 against it." Well, then I said, "Can I go back  
17 and tell my people they can go ahead?" Well,  
18 they said, "Just wait a minute," so they  
19 retired to another room and they came back and  
20 told me, they said, "If they do that we will  
21 seize the ship." I said, "Why? Is there any-  
22 thing wrong?" "No, just that we have never had  
23 this happen before, and if you do it we will seize  
24 the ship." Now, these people ---

25 THE CHAIRMAN: Well, as a good lawyer  
26 surely you saw a beautiful chance for a nice  
27 profitable lawsuit if they seized the ship and  
28 there was nothing wrong. I would love to be in  
29 that position myself if I were ---  
30





1 MR. TEED: But that is what happened. My  
2 people were not interested in a lawsuit, they are  
3 engaged in having the ship available for use in  
4 trade.

5 THE CHAIRMAN: But the damages you would  
6 recover on a petition of right would probably be  
7 a far sounder investment than the profit you would  
8 make in the trade.

9 MR. TEED: Well, I am merely saying what  
10 happened. This is my own experience and I can  
11 speak of that because I know, and in one of  
12 those instances which Mr. Irving can speak about  
13 personally, he was up against the same kind of a  
14 situation, he tells me, for a year and a half  
15 and he was told and told and told that he couldn't  
16 do something. Finally it turned out that they  
17 were quite all right and it could have gone  
18 straight along. I could have said, "I think  
19 perhaps you didn't take the appropriate steps  
20 to force the issue." Well, no ship owner wants  
21 to get his ship into a position of being seized  
22 even though he may be in the right; that is not  
23 sound business. It is better to forego and put  
24 the ship to some other use. It is things like  
25 that ---  
26

27 (Page 4905 follows)  
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1 THE CHAIRMAN: Mr. Teed, it is not within  
2 our terms of reference to spread a reformation  
3 within the Department of Transport.

4 MR. TEED: I am not suggesting that.

5 THE CHAIRMAN: Let us get something that  
6 is relevant here.

7 MR. TEED: Is it within your terms of  
8 reference to suggest a different control for the  
9 Eastern Area than that applicable to the Central  
10 Area?

11 THE CHAIRMAN: I doubt it very much. I  
12 don't see any possibility ---

13 MR. TEED: It occurred to me that it might  
14 be so, perhaps I am -- I think perhaps it comes under  
15 the necessity of establishing -- it is 7 d,  
16 different policies and prescribing special conditions  
17 with respect to the coasting trade of Canada in-  
18 cluding the Great Lakes, applicable to particular  
19 parts of Canada.

20 THE CHAIRMAN: Oh, yes, that is certainly  
21 in the reference, but it is not a matter of estab-  
22 lishing a control in a certain place, it is es-  
23 tablishing different regulations applicable to  
24 different places. I would be surprised if you  
25 were interested in breaking up Federation ---

26 MR. TEED: Well, that wasn't the think-  
27 ing, but at least two Departments, I don't know  
28 about the rest, are all under the supervision  
29 of the Minister. However, that is why I am  
30





1 dealing with that point.

2 Now, the next one is the matter on pages 9  
3 and 10, the Chignecto Canal. Now, whether or not  
4 that may be considered in the terms of reference,  
5 I perhaps have a little doubt. I make mention of  
6 it because I find in Saint John, for example, it  
7 was referred to by two witnesses and it is referred  
8 to in one of the briefs filed. It may have been  
9 referred to in other areas. It is a rather live  
10 subject down there in connection with the coastal  
11 trade in the New Brunswick area, and I am going to  
12 suggest in the Eastern area and also into the Central  
13 area, because they can substantially reduce the  
14 distance to be travelled by ships coming from the  
15 East Coast of the United States into the St. Lawrence  
16 Seaway. Now, this matter is dealt with at con-  
17 siderable length in two little booklets, which  
18 unfortunately I don't think I have, I believe there  
19 is a supply of them available in Ottawa although  
20 I am not quite certain where. They were used  
21 in making certain submissions in Ottawa some time  
22 ago. There is a very strong feeling down in  
23 the area in which I come from that the construc-  
24 tion of that canal would be of great assistance.  
25 I cannot speak as to details, of course, and so  
26 on, I don't know these, but I have mentioned the  
27 subject there and I will leave it at that. If  
28 these booklets are not available in Ottawa I  
29 think I can get a supply; they are pretty well  
30





1 out of print down our way, but I think they can be  
2 re-printed and made available for consideration.

3 Now, the concluding portion of this brief  
4 is really argumentative; it is a sort of a break-up  
5 or analysis of the briefs already filed, or which  
6 were filed at that time, and I point out that five  
7 Provincial Governments have filed briefs which do  
8 not support the submission that the coastal trade  
9 of Canada should be restricted to Canadian-built and  
10 registered ships, etc., and I have analysed generally  
11 all the briefs which I had made available to me.  
12 I will not discuss that, but it is just for con-  
13 sideration by the members of this Commission.

14 Now, I think that is really all I can helpfully  
15 say; I will be very glad to answer any factual  
16 questions, if I am able.

17 May I just in passing mention that I have  
18 not seen the report as to the proceedings in which  
19 representations were made by the Canadian Shipowners'  
20 Association, but I did note that in the brief filed  
21 by it that it has somewhat the same ideas with  
22 respect to variations in some legislations as are  
23 suggested by the parties whom I represent. That  
24 is found on page 8 of brief No. 38 and also on  
25 page 9. I will not repeat it. It is the same  
26 type of thinking, the same ideas.

27 MR. MUNDELL; I would like to ask one  
28 or two questions, if I may.

29 THE CHAIRMAN: Yes.  
30







1 MR. MUNDELL: Could you give the Commission  
2 a statement of what trades the various vessels en-  
3 gage in?

4 MR. TEED: Well, from the nature I think -- I  
5 can't give details, one is a general cargo ship.

6 MR. MUNDELL: I was wondering could you  
7 give the routes they trade in?

8 MR. TEED: They don't go on any regular  
9 service; they trade here and there as and when  
10 occasion dictates.

11 MR. MUNDELL: In and out of coasting trades?

12 MR. TEED: Yes. For example, the tankers  
13 are usually employed -- or, often employed perhaps  
14 is the right word -- in connection with the products  
15 of the Irving Oil Company, and I know on occasion  
16 some of those tankers came into Saint John, and on  
17 occasions they go along the south coast of Nova  
18 Scotia and they go to the north coast of New  
19 Brunswick, and when the north coast of New Brunswick  
20 is ice-bound they have to go elsewhere.

21 MR. MUNDELL: I was wondering if you could  
22 indicate what trade they are in in the winter;  
23 they are foreign-going altogether, are they?

24 MR. TEED: In the winter months, and some  
25 of them even in the summer months, are foreign-  
26 going.

27 MR. MUNDELL: Thank you. You put some  
28 stress on page 3 of your brief with regard to  
29 the dollar earnings of British vessels. Is there  
30





1 available to you any information, or have any  
2 calculations been made of the amounts involved that  
3 you know of?

4 MR. TEED: No, I can't -- I have never seen  
5 any actual figures. I don't remember any in the  
6 briefs filed, either. There may be.

7 MR. MUNDELL: No, as a matter of fact we  
8 were looking for them; I was just wondering if you  
9 had them?

10 MR. TEED: No, no.

11 MR. MUNDELL: Your clients are not in any  
12 way associated with shipbuilding, are they?

13 MR. TEED: There is nothing in New Brunswick,  
14 I am sure, outside of possibly some fishing boats ---

15 MR. MUNDELL: I mean your clients, have  
16 they any interest in ship---

17 MR. TEED: Not these particular ones, no,  
18 no. Not these ones.

19 MR. MUNDELL: You have quite a practice.

20 MR. TEED: I am at times inclined to think  
21 in terms of the working organization because it  
22 owns other boats and has other business activities.

23 THE CHAIRMAN: The Minister thinks there  
24 are a good deal more than one not on Canadian  
25 registry.

26 MR. TEED: There are more than one not on  
27 Canadian registry, oh, yes.

28 COMMISSIONER WICKWIRE: Do you know how  
29 many there are not on Canadian registry?  
30





1 MR. TEED: No, I cannot give that informa-  
2 tion.

3 COMMISSIONER WICKWIRE: Can you furnish it?

4 MR. TEED: Oh, yes, I am quite certain I can.

5 COMMISSIONER WICKWIRE: And what registry  
6 they are on, when they went on such registry?

7 MR. MUNDELL: That is all I have.

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16 (page 4911 follows)

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1 THE CHAIRMAN: Yes?

2 MR. GERITY: I would like to ask a few  
3 questions, Mr. Teed; if I recollect rightly you  
4 were at the hearings in Saint John, New Brunswick,  
5 were you not?

6 MR. TEED: Yes.

7 MR. GERITY: Were you there when a Mr.  
8 Matheson gave some evidence?

9 MR. TEED: Yes, I was there.

10 MR. GERITY: Do you recall him looking at  
11 his records and finding that there was but one  
12 sailing in the year 1954 in the coastal trade in  
13 New Brunswick, or perhaps there were two?

14 MR. TEED: From memory I don't remember  
15 that, but I have the record here if you want me  
16 to look it up. If you say it is so, I presume  
17 it is correct.

18 MR. GERITY: Do I take it that your clients ---

19 MR. TEED: Was he speaking there of all  
20 export trade, or the cargo trade?

21 MR. GERITY: As I recall it, he was speaking  
22 of recorded sailings to and from ports of New  
23 Brunswick -- I am sure it was either one or two  
24 sailings in the year that he referred to, I think  
25 it was 1954, possibly it was 1953. However, I  
26 take it that your client's interest is generally  
27 the coasting trade in New Brunswick?

28 MR. TEED: Well, I will not say that. The  
29 difficulty arises out of my client's interests;

30





1 I represent the Irving Pulp & Paper Limited which  
2 manufactures pulp, and they sell that pulp outside  
3 of Canada.

4 MR. GERITY: Well, Mr. Teed, one of my  
5 difficulties is that I have not been favoured with  
6 a copy of your submission.

7 MR. TEED: I regret that.

8 MR. GERITY: I may be referring to things  
9 you have already covered, but does your client  
10 operate any ships in the coasting trade in Canada?

11 MR. TEED: Kent Lines Limited operates ships  
12 which at times are in the coasting trade and at  
13 other times are in the deep sea trade.

14 MR. GERITY: What flag do they fly?

15 MR. TEED: Canadian registry.

16 MR. GERITY: How many ships does the Irving  
17 organization own altogether?

18 MR. TEED: I can't answer that, I don't  
19 know.

20 MR. GERITY: Are there a number of them  
21 under the Panamanian flag?

22 MR. TEED: I can't answer that.

23 MR. MUNDELL: I think that information is  
24 being furnished.

25 MR. TEED: You asked for the number of  
26 boats not of Canadian registry?

27 COMMISSIONER WICKWIRE: And the registry,  
28 and when they went on such registry.

29 MR. GERITY: Well, to be brief, I don't  
30





1 wish to take up the Commission's time at this time;  
2 what I seek to know is what is your client's  
3 interest in the coasting trade of Canada; what is  
4 it you seek to protect or not to protect?

5 MR. TEED: May I in answer to that just  
6 read a paragraph which I think explains their  
7 position:

8 "All four of the ships managed by  
9 "Kent Lines Limited and referred to on  
10 "page 1 of this Brief, were built in  
11 "Canada and are registered in Canada.  
12 "They would not be excluded from the  
13 "coastal trade of Canada, if, by  
14 "legislation or otherwise, such trade  
15 "was restricted to ships both built  
16 "and registered in Canada.

17 "The parties filing this Brief  
18 "have endeavoured to consider the  
19 "problems arising from the broad and  
20 "National point of view. However,  
21 "some of the submissions made in this  
22 "Brief arise out of situations and  
23 "conditions which may be peculiar to  
24 "the Atlantic Coast Area."

25 And I mentioned some of those.

26 MR. GERITY: And your general position is  
27 that there should be no restriction in the  
28 coasting trade, is that so?

29 MR. TEED: No restrictions except what  
30







1 we now have, and subject again to some modifications  
2 such as were suggested on one part of this brief  
3 which I read.

4 MR. GERITY: I think you referred to  
5 Section 32 of the Canada Shipping Act.

6 MR. TEED: I didn't refer in the brief to  
7 any particular section. That language as used  
8 were the words of Mr. Irving, and he didn't have  
9 the Act before him when he put this in.

10 MR. GERITY: However, it is true to say  
11 that the general position of your client is that  
12 the coasting trade should remain as it is, is  
13 that so?

14 MR. TEED: That is right.

15 MR. GERITY: And his interest is that of a  
16 ship owner or a pulp and paper manufacturer, or  
17 what exactly?

18 MR. TEED: I am going to put it that he is  
19 a Canadian and he has varied diverse interests;  
20 they are rather widely separately down there, not  
21 up here so much, but down there there are various  
22 interests and on the over-all he feels that -- or,  
23 he is of the opinion that the coasting trade of  
24 Canada should be as is, substantially as is with  
25 minor variations.

26 MR. GERITY: The Kent Lines ships you re-  
27 fer to -- I am going by memory only -- are they  
28 old corvettes that were converted?

29 MR. TEED: One is a converted corvette,  
30





1 that is Rexton Kent, which is a package cargo ship.

2 Would you like to look at this memo of it?

3 MR. GERITY: There wouldn't be much of a  
4 capital cost item involved there, would there?

5 MR. TEED: I can't speak as to that, I don't  
6 know.

7 MR. GERITY: What are the other three?

8 MR. TEED: If you look at that, I think you  
9 may have it there.

10 MR. GERITY: The Irvingwood, where was she  
11 built?

12 MR. TEED: Canadian-built.

13 THE CHAIRMAN: All four Canadian-built?

14 MR. TEED: All four Canadian-built.

15 MR. GERITY: And there are other vessels,  
16 of course, that are not either Canadian-built or  
17 registered?

18 THE CHAIRMAN: And owned by this man?

19 MR. TEED: The Irving organization, not Kent  
20 Lines. They have some others, and I am sorry but  
21 I have not got that information here.

22 MR. GERITY: I see. However, to go back  
23 to my remark about Mr. Matheson's evidence in Saint  
24 John, how largely do your people participate in  
25 coasting trade?

26 MR. TEED: Again I regret I cannot tell  
27 you that; I have never seen the boats, or some  
28 of the boats; we have a couple of lawsuits going  
29 on now for a large tanker, the Irvingdale.  
30





1 THE CHAIRMAN: Where would it sail from?  
2 It would sail from Portland, Oregon if it wasn't  
3 engaged in the coasting trade.

4 MR. TEED: I don't wish to -- I think we  
5 could very well lawsuit ourselves out of the deep-  
6 sea trade.

7 MR. GERITY: Would you say, Mr. Teed, that  
8 the Government of the Province of New Brunswick  
9 joined with other Provinces in opposing any reserva-  
10 tion in the coasting trade?

11 MR. TEED: The Government of New Brunswick  
12 took no part either way, as I understand it.

13 MR. GERITY: In other words, the Maritime  
14 Transportation Commission perhaps do not reflect  
15 their view?

16 MR. TEED: I can't speak as to that, but  
17 suggest the possibility -- either thing is possible.

18 MR. GERITY: However, they didn't appear,  
19 did they?

20 MR. TEED: No, they didn't appear. When I  
21 say that, I mean to my knowledge as far as I know.  
22 I know they were not there in Saint John.

23 MR. GERITY: Does your client participate  
24 in any way in the Great Lakes trade?

25 MR. TEED: At times a boat or boats have  
26 gone up through the St. Lawrence canals, I think  
27 through the Great Lakes, but I can't give any  
28 detail.

29 MR. GERITY: What would your views be,  
30







1 sir, as to this proposition; that this Commission  
2 might consider the Great Lakes to be a different  
3 problem from that of the Atlantic Provinces?

4 MR. TEED: I am not sure I follow your ques-  
5 tion.

6 MR. GERITY: I said, if I were to suggest  
7 to this Commission that the Great Lakes posed a  
8 different problem to that of the Atlantic Provinces,  
9 what would be your client's view?

10 MR. TEED: I think that we settled that; that  
11 their problems are different.

12 MR. GERITY: Thank you.

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17 (Page 4915 follows)  
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1 MR. JACKSON: May I ask a couple of questions,  
2 Mr. Chairman?

3 THE CHAIRMAN: Yes.

4 MR. JACKSON: I am appearing for the Ship-  
5 builders' Association. I am particularly  
6 interested in Mr. Teed's statement that the cost  
7 of ship repairs is relatively higher in the United  
8 States, he used the words "not necessarily in  
9 dollars", than in Canadian yards, and would like  
10 to elucidate that just a little if I may. When  
11 you make that statement, Mr. Teed, what kind of  
12 repairs do you refer to?

13 A. I regret I cannot answer that question  
14 because I was repeating, to the best of my ability,  
15 the information given to me by Mr. Irving when  
16 we discussed this on Monday. I did not go into  
17 detail. I fully expected him to be here and he  
18 expected to be here, but unfortunately he could  
19 not make it.

20 Q. You are unable to parade witnesses  
21 before the Commission so that until you supply  
22 the Commission with specific details that is really  
23 -- I wish no offence -- in the nature of hearsay?

24 A. Oh, absolutely. That is why I  
25 hesitated somewhat in coming out with this.

26 Q. I can well understand that. How  
27 many times have ships been sent down for repairs  
28 to the United States?

29 A. I cannot answer that.  
30





1  
2 Q. And thus giving your client this  
3 impression?

4 A. I cannot answer that, I am sorry. I  
5 cannot answer you. If you make a record of  
6 things like that ---

7 Q. I will ask these questions for the  
8 record, if I may. I have asked you first what  
9 kind of repairs. I have secondly asked you how  
10 many times. I asked in what yards were the  
11 repairs carried out. I asked you how many ships  
12 were involved. I asked you what type of ships  
13 and in what trade were they engaged. I  
14 asked what basis of comparison of costs  
15 in Canadian yards led your client to come to this  
16 conclusion. I realize, of course, none of these  
17 answers can be supplied this morning. I would  
18 like to put these questions on the record if I  
19 may do so for precise answering.

20 Meanwhile, Mr. Teed, your original -- I  
21 will not ask for the record to be read back  
22 unless you wish it, but you wish your original  
23 statement to stand in spite of the fact it sounded  
24 dangerously like a generalization?

25 A. I put it as information passed to  
26 me by my client. That is as far as I can go.

27 Q. There are two kinds of information  
28 along this line. I accept your statement that  
29 once or more often in some place or places,  
30 some ship or ships belonging to your client have







1  
2 been repaired in some fashion at a dollar cost  
3 lower than the dollar cost would have been in some  
4 Canadian yard in some corner of this very large  
5 country.

6 THE CHAIRMAN: There is nothing, Mr. Jackson,  
7 to indicate it was one of these four ships. It  
8 could have been a Panamanian registered one and  
9 therefore duty would not have been payable in  
10 Canada.

11 MR. MUNDELL: The duty is only on the  
12 coasting trade vessels, anyway. If it was a foreign  
13 country vessel there would not be any duty.

14 THE CHAIRMAN: I cannot see how the statement  
15 helps us in any way.

16 MR. JACKSON: Pardon, Mr. Chairman?

17 THE CHAIRMAN: I cannot see how the state-  
18 ment helps us in any way.

19 MR. JACKSON: May I say respectfully, sir,  
20 that Mr. Teed's evidence as related in the  
21 statement which he originally made comes dan-  
22 gerously near to being a generalization, whereas  
23 it begins to appear that possibly the generaliza-  
24 tion was made on the basis of a certain isolated  
25 incident. I wish merely that this witness  
26 would clear up for the Commission's benefit  
27 whether this can be made as a general statement  
28 of cost of repairs in Canadian yards or whether  
29 it is an incident of something that has happened  
30 here or there.





1 MR. JACKSON: Q. The only other thing, sir,  
2 I would like to do is to go back to Mr. Teed's  
3 statement -- I think I repeated it correctly,  
4 that not since the war has the employment in  
5 Canadian shipyards gone below the 10,000 figure.

6 A. No, I took that from the statistics  
7 in the briefs filed. I did not check with Ottawa.

8 Q. Mr. Teed, would you be surprised if  
9 you turn to page 36 of Volume III, I have the  
10 Commission's copy in my hand, and found in two  
11 consecutive years in 1949 and ---

12 MR. GERIN-LAJOIE: What brief number?

13 MR. JACKSON: Brief B.82.

14 MR. JACKSON: Q. --- in two consecutive  
15 years, 1949 and 1950, those yards did not employ  
16 the 10,000 men to whom you refer?

17 A. Well, I gave the reference in the  
18 briefs to which I referred; the brief of the  
19 Island Tug & Barge Limited, page 1, and the  
20 Province of Manitoba, page 9, and there is  
21 another one here, the Province of British  
22 Columbia, Table 11, I think it was. I hope I  
23 have given the right references. That is the  
24 table to which you referred.

25 Q. I merely wanted to ask you whether  
26 you regarded the Canadian Maritime Commission  
27 as really being the authority on that question?

28 A. I do not understand the discrepancy  
29 in these figures, but there they are. I cannot  
30





1 say who has made a mistake or whether they are  
2 dealing with the same kind of figures. The  
3 average monthly employment and the other is ---

4 MR. JACKSON: I think not to take up  
5 the Commission's time, I am going to leave Mr.  
6 Teed to elucidate that for your benefit.

7 THE CHAIRMAN: The source of the table  
8 to which Professor Jackson referred is the same  
9 source that the Canadian Maritime Commission  
10 referred.

11 MR. TEED: Yes, I was thinking those figures  
12 do not appear to be the same as those to which I  
13 have referred which are in other briefs. Mr.  
14 Chairman, I am just wondering, looking at it, at  
15 page 6 of my brief, I am wondering if I have  
16 referred to the right brief number. I have a  
17 feeling I have not. I think I will have to  
18 correct it.

19 MR. MUNDELL: The Province of Manitoba brief  
20 is B.77.

21 MR. TEED: That is right. I think what I  
22 have referred to there -- I do not think that is  
23 right. I think I made a mistake there. It should  
24 be Brief 101, Table A, Brief 101. That is on  
25 page 6 of my brief. That is a mistake. The  
26 table to that brief should be to Brief 101,  
27 page 8.

28 MR. MUNDELL: We have another outstanding  
29 authority on this one with a different set of  
30







1 figures.

2 MR. TEED: That is where the figures come  
3 from. That is the brief of the Canadian Catholic  
4 Federation of Labour, Montreal, and the National  
5 Metals Trade Federation.

6 COMMISSIONER BELANGER: Q. Are those monthly  
7 averages or yearly averages?

8 MR. TEED: I can't answer that. I merely  
9 have to take them as it is. I did not check any  
10 of these. I took them from the briefs. We  
11 have the same figure there as in the Province of  
12 British Columbia brief. I found the same figures  
13 in two briefs. If there is any error there I  
14 should correct it.

15 MR. MUNDELL: In any event, the figures  
16 can be checked at the sources. Those figures  
17 come from the Dominion Bureau of Statistics.

18 MR. TEED: The Province of British Columbia  
19 Brief 111 has the same figures. Perhaps that  
20 will give you the sources. Do you happen to  
21 have 111? It was not bound in.

22 MR. MUNDELL: I believe I have that, yes.

23 MR. TEED: Here we are. Yes, Table 2, the  
24 source is the Shipbuilding Industry, Dominion  
25 Bureau of Statistics, Ottawa. I checked the  
26 two figures I have down there.

27 MR. MUNDELL: The heading of this column  
28 is, "The average number of employees". It  
29 gives the year and shows the average number,  
30





1 something over 10,000.

2 The last reference I made was to page 7  
3 of Brief 111.

4 THE CHAIRMAN: Is that all? Thank you very  
5 much, Mr. Teed.

6 MR. TEED: Thank you, Mr. Chairman.

7 MR. GERIN-LAJOIE: I believe that Mr.  
8 Gerity would like to say a word on behalf of his  
9 client.

10 THE CHAIRMAN: Yes, Mr. Gerity?

11 MR. GERITY: Mr. Chairman, on October 11th  
12 last at Montreal your counsel left with me some  
13 questions to which I might find answers. Those  
14 whom I have as advisers are currently working on  
15 the problem and if it is acceptable to you,  
16 Mr. Chairman, I would like to reserve an exhibit  
17 number and forward same to your secretary as a  
18 memorandum or supplemental exhibit, and my  
19 recollection is that I was asked to compare  
20 some ocean rates for freight with Great Lakes  
21 rates in an endeavour to show, if possible,  
22 when if ever they had dipped far below our own  
23 levels. Secondly, to endeavour to show why  
24 or to explain why the ton mile cost ratio  
25 means nothing to the ship owner and, thirdly,  
26 to give to you a note of a naval architect, by  
27 my consultant who has actually drawn detailed  
28 diagrams of certain vessels. I would like to  
29 make it clear it is difficult for a naval  
30





1 architect to actually design a vessel until a  
2 client tells him exactly what he is looking for,  
3 but I think that at least the figures which I  
4 might give you would indicate the dead weight  
5 capacity of such a vessel in salt water and its  
6 bushel capacity in wheat in fresh water at the  
7 expected draughts which we hope to have in the  
8 Great Lakes in the future.

9  
10 I have also personally compiled some figures  
11 on marine insurance and what amount, if any,  
12 goes to the United Kingdom. I realize, of course,  
13 that the losses are also paid from the same  
14 sources but if they are helpful in any way I  
15 will be glad to include them in a memorandum and  
16 if there is any further information, Mr. Chairman,  
17 you wish I will be very happy to seek it and see  
18 if it can be obtained.

19 COMMISSIONER BELANGER: Mr. Gerity, about  
20 your cost figures. You just told us that it was  
21 meaningless to compare the cost figures on a ton  
22 mile basis.

23 MR. GERITY: So the various ship owners  
24 I have consulted inform me, because of such  
25 differences as, let us say, the 150 miles from  
26 Kingston to Montreal, which is a six cent rate  
27 as compared to the thirteen cent rate for the  
28 other 1,050 miles. It simply means nothing.  
29 Time is the only factor in the equation which  
30 is of importance.







1 COMMISSIONER BELANGER: Can you give your  
2 figures in a ton day basis or a ton hour basis?

3 MR. GERITY: Well, I do not know, sir. I  
4 can only say that those whom I represent have  
5 asked me to say that their books or any private  
6 records are entirely open if any one whom the  
7 Commission appoints wishes to examine them. I  
8 might say, sir, that it is difficult for them  
9 to calculate it on a ton mile cost basis and  
10 if there is some other basis that I can approach  
11 the problem from I will be glad to do so. Time  
12 is the factor for the ship owner on the Great  
13 Lakes, particularly so because they are not paid  
14 for loss of time.

15  
16 COMMISSIONER BELANGER: I realize at this  
17 particular moment when we ask for figures one time  
18 on a ton mile basis, I still realize that a ton  
19 day basis would be a better estimate, and would  
20 it be very hard for you to take the figures you  
21 have already and try to make them as comparable  
22 as possible? Could you make them on a ton hour  
23 basis?

24 MR. GERITY: I think our chartered  
25 accountants can give you some figures, sir,  
26 even on a ton mile basis, but I would submit  
27 them with this reservation, that to the owner  
28 it is apparently meaningless. I say nothing  
29 for my own office. I know nothing about  
30 finance. That is what they tell me. Time is





1  
2 the basis of their business. That is the only  
3 calculation they consider. I think we can give  
4 you some ton mile figures as long as they would  
5 be viewed in that light.

6 COMMISSIONER BELANGER: I fully realize you  
7 have two variables here, tonnage and the time  
8 for a particular voyage.

9 MR. GERITY: Simply answered, sir, I think  
10 we are not really in the position of let us say  
11 some of our free competitive farmers saying that  
12 we subtract one sum from another and that is the  
13 profit. It is not, but we can give you a ton  
14 mile figure with the reservations I have put  
15 forward.

16 COMMISSIONER BELANGER: Can you also give  
17 a ton day figure?

18 MR. GERITY: I think perhaps we can.

19 COMMISSIONER BELANGER: Or a ton hour  
20 figure?

21 MR. GERITY: I do not think that all the  
22 members have records but the larger ones do.  
23 I think you realize that some of the smaller  
24 members have one man and one girl as an office  
25 staff and they do not keep very complete records.  
26 We have members who only own two very tiny  
27 steamers. I think we have one that only owns  
28 one.

29 COMMISSIONER BELANGER: If the ton hour  
30 basis is not a significant figure, give us the





1 figure which you think would be significant.

2 MR. GERITY: I have obtained the outgoing  
3 grain rates from Montreal privately from the Wheat  
4 Board, and we can give you a comparison as to those  
5 rates against our own. They are private, of  
6 course, because they are not published. I think  
7 the evidence is that 60% of the grain is carried  
8 by liner companies, not by Conference, but they  
9 had apparently a Conference at one time.

10 THE CHAIRMAN: We will reserve an exhibit  
11 number for that, Mr. Mundell.

12 MR. MUNDELL: I would think that that would  
13 be right.

14 THE CHAIRMAN: It will be Exhibit 165.

15 MR. GERITY: Thank you, sir.

16 MR. MUNDELL: "Answers to questions asked  
17 of Dominion Marine Association". I would think  
18 that would be the heading.

19  
20 ---EXHIBIT NO. 165: To be supplied: "Answers to  
21 Questions asked of Dominion  
22 Marine Association".

23 MR. GERIN-LAJOIE: I understand Mr. Jackson  
24 has also a submission to make on behalf of Canada  
25 Steamship Lines.

26 MR. JACKSON: As you know, Mr. Chairman,  
27 there has been a serious fire at the Davie  
28 Shipbuilding & Repairing Company Limited, and Mr.  
29 McLagan expected to be here this week to give  
30 promised evidence for the Commission. They have







1 been busy since the fire night and day trying to  
2 get the shipyard back in working order and to  
3 replace destroyed equipment to get the staff of  
4 the yard back to work again. Therefore, they  
5 have asked me to make an explanation of the three  
6 points and to ask you if three numbers may be  
7 reserved for exhibits.  
8

9 At the hearings of the Royal Commission in  
10 Montreal, Mr. McLagan of Canada Steamship Lines  
11 gave evidence, and submitted figures to show the  
12 estimated differences in the total costs of  
13 operation between Canadian and equivalent British  
14 (non-Canadian) ships.

15 These figures did not include every item  
16 of cost which is incurred in the operation of  
17 ships, only those figures being included, which  
18 would substantially vary between Canadian and  
19 British (non-Canadian) built and operated  
20 vessels.

21 As the Commission did not consider the  
22 figures adequate for the purpose intended, Mr.  
23 McLagan agreed to have figures prepared for the  
24 Commission showing the complete cost of  
25 operating a large Canadian upper laker, together  
26 with estimated comparable figures for a similar  
27 British (non-Canadian) vessel and other British  
28 (non-Canadian) vessels with which the upper laker  
29 might reasonably expect to compete in the  
30 Canadian coasting trade.





1  
2 It has not been found possible to set up  
3 with the proper care, the figures promised in time  
4 to present them at this Toronto session of the  
5 Commission.

6 The figures will, however, be completed and  
7 put before the Commission as soon as possible.

8 The Statement giving the actual detailed  
9 cost of operating a Canadian upper laker will  
10 be offered to the Commission for its confidential  
11 information.

12 The statements giving the estimate of the  
13 corresponding total costs of operating British  
14 (non-Canadian) vessels will be offered for public  
15 record.

16 These latter figures will be authenticated  
17 to the best of our ability but will naturally  
18 only be estimates and we would therefore  
19 respectfully urge the Commission to do two things.

20 The first is to offer our estimates,  
21 through their agents in Canada, to responsible  
22 British ship operators engaged, or likely to be  
23 engaged, in the Canadian coastal trade for their  
24 critical comment.

25 The second is to require British ship  
26 operators, presently engaged in the Canadian  
27 coastal trade from Seven Islands to Contrecoeur,  
28 to submit to the Commission for its confidential  
29 information, their actual costs of operation,  
30 to be compared with the actual cost





1 figures offered by Canada Steamship Lines for  
2 their vessels.

3 If such action is taken by the Commission  
4 we believe they will then have the best possible,  
5 properly authenticated evidence regarding  
6 differences in overall cost of operating Canadian  
7 versus British (non-Canadian) vessels.  
8

9 Needless to say, Canada Steamship Lines  
10 will at any time be available to the Commission  
11 for explanation of their own figures or for  
12 comments on the ultimate comparisons.

13 There are two more items, sir, which we  
14 do not now have. We should like leave to submit  
15 on behalf of the Davie Shipbuilding Company  
16 Limited their total sales in the past half dozen  
17 years, together with the amount spent in the  
18 shipyard, indicating that the remaining amount  
19 was spread throughout the industry mostly in  
20 Canada.

21 MR. MUNDELL: Is that an exhibit?

22 MR. JACKSON: That is not an exhibit, sir.  
23 We are not in a position to offer this yet, but  
24 we will do so as soon as it is physically  
25 possible.

26 I should also like to submit figures  
27 showing the total income of the Davie Shipbuilding  
28 Limited over a period of years, together with  
29 the amount of money out of that total which was  
30 spent in the shipyard and the amounts which were







1 given out to the industry.

2 I have an exhibit I would like to file now,  
3 sir. These figures compare the progress of  
4 Newfoundland during the past six years with the  
5 progress achieved elsewhere in Canada. They are  
6 matters of public record but it may be evident  
7 to the Commission that probably in one page we  
8 have the answer to the discussions of the sub-  
9 missions of the Newfoundland Government when the  
10 time arrives.

11  
12 ---EXHIBIT NO. 166: Progress of Newfoundland  
13 compared with the rest  
14 of Canada.

15 MR. JACKSON: I should like, sir, to  
16 offer one further document to the Commission.  
17 I do not know whether it should be described  
18 as an exhibit or not, but it seems to me it is  
19 one of the most vivid documents explaining how  
20 the rest of Canada came into being as a result  
21 of the development in the transportation, the  
22 subject matter of your study.

23 This is a poem, "Towards the Last Spike",  
24 by one of the most distinguished living  
25 Newfoundlanders, known probably to the members  
26 of the Commission, Ned Pratt.

27 There are now three and a half million  
28 people living between Fort William and the  
29 Rockies, where before the transportation routes  
30 were organized the number was only 90,000.





1                   This is a story of how the Eastern Trans-  
2                   portation interests by land and by water decided  
3                   to become the Western Transportation interests  
4                   and to make this development possible.

5                   May I hand this over to you?

6                   MR. MUNDELL: I would suggest we put it  
7                   in the Commission's library rather than making  
8                   it an exhibit.

9                   MR. JACKSON: That would be entirely proper.

10                  THE CHAIRMAN: Do you wish three numbers  
11                  reserved for the three exhibits which will be  
12                  forthcoming?

13                  MR. MUNDELL: I do not think it is necessary  
14                  to reserve numbers.

15                  THE CHAIRMAN: It is a little confusing  
16                  to do so.

17                  That concludes then the matters to come  
18                  before the Commission in the Sittings at Toronto.  
19                  Little more can be said now than has been said  
20                  at other occasions at the conclusion of other  
21                  hearings. Of course, all representations made  
22                  will be given very careful consideration and in  
23                  addition the Commission acknowledges its  
24                  gratitude to those who have carefully prepared  
25                  the submissions and who have attended this  
26                  sittings to support them and to outline them in  
27                  detail. We will now adjourn.

28                  ---Whereupon the hearing adjourned.  
29  
30



ROYAL COMMISSION ON COASTING TRADE

VOLUME 16

Report of Ottawa  
Sittings, Dec.19,  
1955

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pp. 4931 - 5055 incl.

(NOTE: Copies of Exhibits  
200, 201, 203 and  
204 will be forward-  
ed later)

Supreme Court Reporters  
145 Yonge Street  
Toronto









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ROYAL COMMISSION ON COASTING TRADE

Report of hearing held at Ottawa,  
Ontario, on Monday, December 19,  
1955, commencing at 10.00 A.M.

---

PRESENT:

THE CHAIRMAN, The Honourable Mr. Justice  
W. F. Spence.

Mr. W.N. Wickwire, Q.C.)

) Commissioners

Mr. M. Belanger, C.A. )

Mr. D.W. Mundell, Q.C. )

) Commission Counsel

Mr. Paul Gerin-Lajoie )

Mr. H. Kemp

- Economic Adviser  
to the Commission

---Mr. G.G. McLeod

- Secretary

---Mr. P. Cimon

- Ass't Secretary

---

THE CHAIRMAN: Yes, Mr. Mundell?

MR. MUNDELL: Mr. Chairman, there are a number  
of exhibits I would like to file, Exhibits Nos. 189A  
to 199. I have a list of them. I do not know  
whether you want them read or not.

THE CHAIRMAN: I do not think it will be  
necessary to read them. You can hand a list to the  
reporters so that it will go in the indexing of exhibits.

MR. MUNDELL: Thank you very much.

The other matter for this morning's hearing is





1 a further presentation by Canada Steamship Lines.

2  
3  
4 THE FOLLOWING EXHIBITS WERE FILED BY MR. MUNDELL AT  
OTTAWA ON DECEMBER 19, 1955:

5	<u>No.</u>	<u>Description</u>
6	189A	Letter from Murray Elder, Industrial Commis-
7		sioner of the Windsor Chamber of Commerce
8		giving information on package freight service
		in the Coasting trade from Windsor by Common-
		wealth registered ships.
9	189B	Membership Directory 1954 of the Windsor
10		Chamber of Commerce. (NOT COPIED FOR IN-
		CLUSION IN THIS VOLUME)
11	190	Definition of Technical Terms and Typical
12		Values for Various Types of Vessels received
13		from Mr. Arthur Simard, Marine Industries
		Ltd. (NOT COPIED FOR INCLUSION IN THIS
		VOLUME)
14	191	Letter from W.J. Fisher, Canadian Shipowners
15		Association and comparative summary of costs
16		of operating ocean-going vessels on Canadian
		registry and on United Kingdom registry with
		comments.
17	192	Letter from Frank G. Wilson, Vice-President,
18		Saint John Dry Dock Co. Ltd. and statement
19		showing analysis of income of abovementioned
		company from Shipbuilding, Ship Repairing,
		and Subsidiary industries.
20	193	Letter from W. Baatz, Treasurer, Saguenay
21		Terminals Ltd. regarding conditions to
22		obtain licence under the Transport Act to
23		operate a service by water along with a
		specimen of the appropriate application
		form (C.T.C. Form No. 212)
24	194	Draft on percentages of savings mean in
25		dollars if several vessels of the same
26		type are built at same time. This
		Exhibit is a corrected edition of Exhibit
		#150C. (NOT COPIED FOR INCLUSION IN THIS
		VOLUME)
27	195	Letter from J.F.H. Teed representing a
28		statement of total arrivals and depar-
29		tures in Canadian coastwise shipping at
30		New Brunswick ports for year ending
		December 31st, 1954.





- 1  
2 196A Letter from J.F.H. Teed to the Commission.  
(NOT COPIED FOR INCLUSION IN THIS VOLUME)
- 3 196B Booklet entitled "The Story of the Chignecto  
4 Barrier". (NOT COPIED FOR INCLUSION IN THIS  
VOLUME)
- 5 196C Booklet entitled "The Case for the Chignecto  
6 Canal". (NOT COPIED FOR INCLUSION IN THIS  
VOLUME)
- 7 197 Letter from Hugh O'Donnell representing  
8 Iron Ore Transport Co. Ltd. giving informa-  
9 tion concerning "General Characteristics"  
and "Particular Characteristics" of S.S.  
"Sept Isles" and S.S. "Ruth Lake".
- 10 198 Table received from C.D. Shepard on behalf  
11 of the Manitoba Government showing earnings,  
12 dividends and stock prices for Canada Steam-  
ship Lines, Ltd. during the past 15 years.
- 13 199 Supplementary submission received from S.J.  
14 Dixon on behalf of the Shipbuilding Confer-  
ence of the United Kingdom.
- 

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1  
2 ---Exhibit No. 189(A): Letter from Windsor Chamber  
3 of Commerce to the Royal  
4 Commission, dated 14th  
5 November, 1955.

6 EXHIBIT NO. 189(A)

7 WINDSOR CHAMBER OF COMMERCE  
8 WINDSOR, ONTARIO  
9 Canada

10 14th November, 1955.

11 Mr. G.G. McLeod, Secretary,  
12 Royal Commission on Coasting Trade,  
13 490 Sussex Street,  
14 OTTAWA, Ontario.

15 Dear Sir,

16 During the personal presentation of the  
17 Windsor Chamber of Commerce brief, Mr. Mundell,  
18 Commission Counsel, asked for further information  
19 on package freight service in the Coasting Trade  
20 from Windsor by Commonwealth registered ships.  
21 There is no regular service of such vessels from  
22 Windsor. However, during the past few years they  
23 have on a number of occasions picked up freight  
24 at Windsor docks when the cargo offered was suf-  
25 ficient to make stops economical. Smaller ship-  
26 ments are regularly trucked to Hamilton or Toronto  
27 for loading on vessels there. The Newfoundland  
28 Great Lakes Steamship Company operated the  
29 vessels to which we refer.

30 Their cargo, among other things, consists  
of drugs, whiskeys and canned vegetable goods.

This organization represents approxi-  
mately 950 members of business and industry





1  
2 in Greater Windsor. A roster of our membership  
3 is included for your information.  
4

5 Yours truly,  
6 (sgd.) Murray Elder,  
7 Industrial Commissioner.  
8

9 encl.  
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1 ---Exhibit No. 191: Letter from W.J. Fisher, Canad-  
2 ian Shipowners Association,  
3 Ottawa, Dec. 15, 1955 - re cost  
4 of operating ocean-going ves-  
5 sels and Data on Wages.

6 EXHIBIT NO. 191

7 December 15th, 1955.

8 Mr. G.G. McLeod,  
9 Secretary,  
10 Royal Commission on Coasting Trade,  
11 490 Sussex Street,  
12 Ottawa, Ontario.

13 Dear Gordon:-

14 In your letter of November 16th, you asked  
15 for a comparative summary of the costs of operating  
16 ocean-going vessels on Canadian registry and on  
17 United Kingdom registry based on the actual ex-  
18 perience of members of the Association.

19 Attached is a summary with supporting com-  
20 ments and some particular data on wages calculated  
21 on the average experience of several owners opera-  
22 ting the same vessels on both registries.

23 The average daily difference approximates  
24 \$294.50, On a basis of 365 days this would give  
25 an annual differential of \$107,492 which is  
26 reasonably close to the calculation used by the  
27 Canadian Maritime Commission in their recent  
28 submission to the Government on the question of  
29 a subsidy for Canadian-flag ocean-going shipping.

30 I trust this information will be helpful.

Yours sincerely,  
"W. J. Fisher"

Encls.







Comparison of Average Daily Voyage Costs  
on 10,000 DWT "Park" Vessel Operated on  
Canadiar and United Kingdom Registries

	Canadian Costs	United Kingdom Costs
<u>Wages</u>	\$372.00	\$165.50
(including overtime leave, etc. - see detailed statement attached)		
<u>Subsistence</u>	65.00	45.00
<u>Stores and Supplies</u>	50.00	45.00
(including lubricants, oil and water)		
<u>Repairs and Maintenance</u>	160.00	140.00
(including reasonable provision for surveys)		
<u>Insurance</u>	133.00	90.00
(including Marine War Risk, P.& I. and Work- men's Compensation)		
<u>Sundries</u>	15.00	15.00
(other voyage expenses)		
<u>Management</u>	65.00	65.00
(administration)		
	\$860.00	\$565.50

Comments

1. Allowance for depreciation not included.  
As long as a vessel is Canadian owned, this  
should be the same. Widely fluctuating value  
of these vessels makes comparison unrealistic  
since individual owners' commercial judgment





1 dictates his capital investment.

2 2. Cost of fuel not included as consumption  
3 has direct relation to employment. As such, it is  
4 variable and thus attributable to cargo revenue.

5 3. Wages - Attached in support of these esti-  
6 mates are statements showing detailed breakdown.

7 It should be noted that a U.K. registered vessel  
8 requires a crew of 36 compared with the Canadian

9 34. There are substantial variations in the calcu-  
10 lation of overtime, leave and other factors. The  
11 item "Retained Personnel & Permanent Staff" shown  
12 on the U.K. statement covers additional costs for  
13 Canadians still employed on the vessel after trans-  
14 fer and would not be reflected in a normal U.K.  
15 owned and operated vessel, though a U.K. owner  
16 would probably have a similar item in different cir-  
17 cumstances.

18 4. Subsistence - It may be noted that there has  
19 not been any increase in Canadian subsistence  
20 costs in recent years. This is accounted for by  
21 the smaller crews and greater efficiency of the  
22 catering staff. The difference between Canadian  
23 and U.K. figures occurs in the cost of staple  
24 items purchased in the sterling area as compared  
25 to a vessel regularly storing in the dollar area  
26 and in the dissimilarity in tastes and standards  
27 of messing demanded by Canadians.

28 5. Stores and Supplies - The small differ-  
29 ence between Canadian and U.K. costs is accounted  
30





1 for by the fact that most of these items are pur-  
2 chased in world markets for both types of vessels.

3 6. Repairs and Maintenance - Canadian crews are  
4 on an average better workers and do more of the  
5 routine repairs and maintenance work. A factor  
6 in this item is the time taken to accomplish the  
7 work on shore. Canadian experience is much better  
8 in recent years, hence costs have not materially  
9 increased as compared with the United Kingdom.

10 7. Management - The present transfer arrangement  
11 requires a degree of dual management, accounting  
12 for the high percentage to total operating cost.  
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22 (page 5 follows)  
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Pro Forma Crew List and Union Wages  
10,000 DWT "Park" Vessel  
Operated on United Kingdom Registry

		Sterling £	Canadian \$ @ 2.80 Exch.
1			
2			
3			
4			
5	1 Master	£106. 0.0	\$296.80
6	1 1st Mate (Master's Certificate)	69. 7.6	194.25) Full seniority
7	1 2nd Mate (1st Mate Certificate)	50. 2.6	140.35) after 3 years
8	1 3rd Mate (2nd Mate Certificate)	38.10.0	107.80
9	1 Radio Officer (see below)	--	
10	1 Carpenter	37. 7.6	104.65
	1 Bosun	35. 0.0	98.00
11	4 A.B.'s @ £31.10.0	126. 0.0	352.80
	1 A.B.'s @ 29.10.0	29.10.0	82.60
12	1 A.B.'s @ 30.10.0	30.10.0	85.40
	2 S.O.S. @ 20.12.6	41. 5.0	115.50
13	2 J.O.S. @ 17.15.0	35.10.0	99.40
	1 Ch.Engineer	95. 0.0	266.00 Full seniority
14	1 2nd Engineer (2nd Cl.Certificate)	60.17. 0	170.45 Full seniority
15	1 3rd Engineer	41.17.6	117.25
	1 4th Engineer	33.12.6	94.15
16	1 4th Engineer	31.17.6	89.25
	3 Greasers @ 34.0.0	102. 0.0	285.60
17	5 Firemen @ 32.0.0	160. 0.0	448.00
	1 Ch.Steward	44.17.6	125.65 Incl. £3.0.0 Canteen Bonus
18			
	1 2nd Steward	31. 0.0	86.80
19	1 Asst.Steward (2 years)	28.10.0	79.80
20	1 Catering Boy	13.15.0	38.50
	1 Ch.Cook (Higher Diploma)	41.12.6	116.55
21	1 2nd Cook	32. 0.0	89.60
22			
23	Total - Straight 36 Time per month	£1316. 2.6	\$3685.15
24	Voyage Leave & Sundays at Sea	209. 0.0	585.20
25			
26	Overtime (9½% of S.T.& Leave)	145. 0.0	406.00
27			
28	Radio Officer - Wages (Paid by Marconi)	58.0.0	162.40
29			
30		£1728. 2.6	\$4838.75

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Retained Per-  
sonnel & Perma-  
nent Staff                      45. 0.0      126.00

£ 1773. 2.6      \$4964.75

Average Daily Cost per  
30-day Month                      \$ 165.50

May 30th, 1955.

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Pro Forma Crew List and Union Wages  
10,000 DWT "Park" Vessel  
Operated on Canadian Registry

<u>Appointment</u>	<u>Basic Wage</u>	<u>Overtime Rate</u>
Master	\$500.00 - 550.00	\$ --
Chief Officer	337.50 - 387.50	52.50 per month
Second Officer	297.50 - 337.50	42.50 " "
Third Officer	272.50 - 287.50	37.50 " "
Radio Officer	277.50	--
1 Bosun	221.00	.95 per hour
1 Carpenter	226.00	.95 " "
6 A.B.'s @	204.00	.85 " "
3 O.S. @	178.50	.75 " "
Chief Engineer	475.00 - 525.00	--
2nd Engineer	337.50 - 387.50	52.50 per month
3rd Engineer	297.50 - 337.50	42.50 " "
4th Engineer	262.50 - 287.50	37.50 " "
Donkeyman	221.00	.95 per hour
3 Oilers @	209.00	.85 " "
4 Firemen @	204.00	.85 " "
Chief Steward	296.00	--
Asst. Steward	204.00	.85 per hour
Chief Cook	241.00	.95 " "
2nd Cook	204.00	.85 " "
Engineer's		
Messman	187.00	.85 " "
Utility Man	162.00	.75 " "

Overtime Rates for licensed personnel are fixed monthly as additions to basic rates in lieu of hourly computation.

Deck and Engine Room unlicensed personnel work 8 hours per day, 5 day week.

Stewards' personnel work 7 hours per day, 6 day week.

Total wage cost based on average overtime, officers' leave as arranged and other ratings' leave 14 days per year, approximately \$134,875 per annum, \$11,240 per 30-day month, or \$372 per day.

June 14, 1954.

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---Exhibit No. 192: Letter from Saint John Dry  
Dock Co. Ltd., East Saint John,  
N.B., December 8th, 1955.  
Statement showing analysis of  
income from Shipbuilding, Ship  
Repairing and Subsidiary  
Industries.

EXHIBIT NO. 192

Mr. G.G. McLeod,  
Secretary,  
Royal Commission on Coasting Trade,  
490 Sussex Street,  
OTTAWA, Ontario.

Dear Mr. McLeod,

As requested by the Commission at the hear-  
ing in Saint John in August last, we enclose state-  
ment showing analysis of income of this Company  
from the following sources:

Shipbuilding

Ship Repairing

Subsidiary industries

I think this gives the information that  
Mr. Gerin-Lajoie asked for, but if there is any  
further information we can supply, please let me  
know.

Yours truly,

(sgd.) Frank G. Wilson  
Vice-President  
SAINT JOHN DRY DOCK CO. LTD.

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SAINT JOHN DRY DOCK CO. LTD. AND SUBSIDIARY COMPANIES

ANALYSIS OF INCOME

A. SAINT JOHN DRY DOCK

	<u>Jan. 1/30-Dec. 31/38</u>	<u>Jan. 1/45-Dec. 31/49</u>	<u>Jan. 1/50-Dec. 31/54</u>
	<u>%</u>	<u>%</u>	<u>%</u>
	<u>Value</u>	<u>Value</u>	<u>Value</u>
Commercial Vessel Repairs	30.96	36.64	7.14
Custom Work	5.16	5.38	3.37
	<u>36.12</u>	<u>42.02</u>	<u>10.51</u>
	\$ 3,918,372	\$ 9,864,274	\$ 4,157,959
Structural Steel	20.	6.44	5.54
	<u>56.12</u>	<u>48.46</u>	<u>16.05</u>
	\$ 2,169,526	\$ 1,511,207	\$ 2,189,815
Dredging	14.85	2.65	2.71
	<u>70.97</u>	<u>51.11</u>	<u>18.76</u>
	\$ 1,610,839	\$ 623,183	\$ 1,071,412
	\$7,698,737	\$11,998,664	\$ 7,419,186
Wartime Shipbuilding	--	18.94	--
		4,446,308	
Other Ship Construction	1.97	.46	3.43
		107,994	1,357,817
Ship Construction			
Navy Ship Repair	.58	8.43	22.73
		1,979,990	8,993,922
		--	11,289,925
Contracting	73.52	78.94	73.46
	<u>12.73</u>	<u>--</u>	<u>7.55</u>
	\$ 7,975,340	\$18,532,956	\$29,060,850
	\$ 9,355,989	\$18,532,956	\$2,988,609
			\$32,049,459

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B. SAINT JOHN IRON WORKS LTD.Jan. 1/30-Dec. 31/38  
% ValueJan. 1/45-Dec. 31/49  
% ValueJan. 1/50-Dec. 31/54  
% ValueMarine Work  
Industrial Work2.42  
10.19  
\$ 263,000  
1,104,84211.05  
10.01  
\$ 2,595,000  
2,349,0423.67  
5.78  
\$ 1,450,000  
2,286,90912.61%  
\$ 1,367,84221.06%  
\$ 4,944,0429.45%  
\$ 3,736,909C. STANDARD DREDGING COMPANY1.14%  
\$ 123,980--%  
--9.54%  
\$ 3,774,015

TOTAL

100%  
\$10,847,811100%  
\$23,476,998100%  
\$39,560,3831  
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1 ---Exhibit No. 193: Letter from Saguenay Terminals  
2 Limited to the Royal Commission  
3 dated November 30, 1955.

4 EXHIBIT NO. 193

5 SAGUENAY TERMINALS LIMITED

6 30 November, 1955.

7  
8 The Royal Commission on Coasting Trade,  
9 490 Sussex Street,  
10 Ottawa, Ont.

11 Attention of Mr. G.G. McLeod, Secretary

12 Dear Sirs:

13 We already wrote to you on October 31st in  
14 reference to the testimony given by the writer be-  
15 fore the Royal Commission on October 6th during the  
16 Montreal hearings.

17 In regard to those parts of that testimony  
18 which dealt with proofs of necessity as a condition  
19 precedent to the granting of a licence under the  
20 Transport Act to operate a service by water, we  
21 believe it will be of interest to the Royal Com-  
22 mission to have filed a specimen of the appropriate  
23 application form (C.T.C. Form No. 212). May we  
24 be permitted to point to item 7 on page 3 of this  
25 form under which an applicant must first name  
26 the services which others are already operating  
27 and then go on to prove the necessity for the  
28 extra services which he wishes to operate. The  
29 form specifically states that "Applicants should  
30 refrain from any general statements but submit





1 proof of the necessity for such service". As  
2 the writer said in his testimony, we consider these  
3 are conditions too hard to meet and a feeling of  
4 foregone inability to meet them has certainly caused  
5 us to refrain from applying for licences in the  
6 past, where otherwise we might have done so.

7 On this aspect of proving necessity and as  
8 regards inter-coastal ships to which reference was  
9 made in the writer's testimony and in our letter of  
10 October 31st, we point out that (upon proclamation)  
11 it might well be altogether impossible to secure  
12 a licence under the Transport Act (in its present  
13 form) for the carriage of goods between two places  
14 on either coast in a vessel engaged on an inter-  
15 coastal voyage, because the necessity to so carry  
16 ~~would~~ be so difficult to demonstrate where eligible  
17 vessels (of the applicant or of other people)  
18 engaged on any voyage (except an intercoastal one)  
19 would be available and free to do that carrying  
20 without a licence. Yet - as we said in our letter  
21 of October 31st - it appears that such a situation  
22 could benefit no one and is, therefore, futile.

23 The most peculiar aspect of this matter  
24 of licences under the Transport Act is that an  
25 applicant must prove he will not be competitive.  
26 The obvious likely effect upon the charges for  
27 transportation to the users of services which are  
28 licenced hardly needs comment.

29 Reference was made also in the writer's  
30





1 testimony of October 6th to the discriminatory  
2 use by the railways of the through rate tariff, men-  
3 tioning a situation which related to international  
4 trade and also a situation which involved coastal  
5 shipping from the Canadian mainland to Newfoundland.  
6 The possibility of further similar situations is  
7 also of concern to us. In the belief that the  
8 Royal Commission would be interested in the tariffs  
9 in question, we shall be glad to file copies of  
10 them upon request, if they have not otherwise  
11 become available.  
12

13 The tariffs affecting Newfoundland are CPR  
14 Tariff No. E.1700-A (as revised) and CNR Tariff  
15 No. C.89 (and supplements). These tariffs  
16 provide for through rates by rail and water which  
17 are lower than the combination of the regular rail  
18 and water rates. By limiting the application of  
19 these tariffs to cargo which for the water movement  
20 goes only via certain steamship lines (vide CPR  
21 Tariff 3rd revision page 3 and original page 121A),  
22 the Canadian Pacific Railway appears to discrimi-  
23 nate against any other water carrier offering an  
24 equal service who is not admitted to participa-  
25 tion. (The comparable CNR situation is reflected  
26 on pages 3 and 93 of its original Tariff C.89  
27 and at various places in the supplements).

28 The international situation to which the  
29 writer referred in his testimony is covered by  
30







1 Canadian Freight Association Tariff No. 30-M and  
2 supplements. The head sheet of the tariff states  
3 that it applies "in connection with Steamship Lines  
4 as specified in individual items". The general  
5 reference in the individual items is to Rule 150  
6 and this rule on page 4 of the original Tariff No.  
7 30-M indicates that shippers must have signed a  
8 Conference Agreement with the Conference steamship  
9 lines listed in order to procure a through bill of  
10 lading to which the rates in this tariff can apply.  
11 This produces the situation as described on page  
12 3349 of the transcript of the writer's testimony.

13 We were asked during the writer's testimony  
14 as referred to, to give the actual number of vessel  
15 sailings in our intercoastal service in the years  
16 1952, 1953 and 1954. We are pleased to provide  
17 this information as follows:

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
18 Eastbound	5	9	5	8
19 Westbound	10	14	5	4

20  
21 There is one other matter on which we  
22 should like to offer a little additional comment,  
23 namely the movement of alumina in intercoastal  
24 ships from the Alcan bauxite refining plants in  
25 the Saguenay via Eastern Canadian ports to Kitimat.  
26 The writer omitted to refer to this cargo move-  
27 ment in sufficient detail during his testimony.  
28 There is a total movement this year of about  
29 35,000 tons. Further important movements may  
30





1 be expected next year and in future years, most  
2 likely on a rising scale from the tonnages for  
3 this current year. The Royal Commission has re-  
4 ceived a submission from Sun Steamships Limited whose  
5 vessel, the "SUNRIP" - built in Canada and specially  
6 designed for the carriage of alumina - is under  
7 bareboat charter to this Company. This vessel is  
8 registered in the United Kingdom as are also the  
9 ten owned vessels of this Company which were built  
10 in Canada and, of course, we wish to be in a posi-  
11 tion to take care of the east-west intercoastal  
12 alumina movement to Kitimat with these Canadian-  
13 built U.K.-registered ships for many years to come.

14  
15 There must be no doubt about the use in  
16 Canadian coastal trades (as presently allowed by  
17 the Canada Shipping Act) of a ship built in Canada  
18 and operated by a Canadian firm, if we are to have  
19 any interest and any chance of success in inducing  
20 entrepreneurs such as Sun Steamships Limited to  
21 develop additional funds to finance the placing  
22 of further such shipbuilding orders in Canadian  
23 yards for like use.

24 Yours very truly,

25 SAGUENAY TERMINALS LIMITED

26 (sgd.) W. Baatz  
27 Treasurer.  
28  
29  
30



EXHIBIT NO. 195

SUMMARY of Table 13, Shipping Report of Dominion Bureau of Statistics,  
for year ending December 31, 1954

4951

Exhibit 195 - p.1.

Table 13: Number and Registered Net Tonnage of Vessels Arrived at and Departed from Canadian Ports in Coastwise Shipping by Canadian Ports.

Section 3, page 175: <u>New Brunswick:</u>	Number	ARRIVED		DEPARTED		TOTAL	
		Registered net tons	Number	Registered net tons	Number	Registered net tons	
Bathurst	26	7,445	26	8,489	52	15,934	
Black's Harbour	439	22,654	443	22,625	882	45,279	
Buctouche	10	13,647	2	3,312	12	16,959	
Campbellton	21	32,682	15	25,423	36	58,105	
Campobello	34	1,217	17	864	51	2,081	
Caraguet	72	7,477	66	5,804	138	13,281	
Chatham	94	64,891	87	52,009	181	116,900	
Delhousie	16	40,156	6	5,402	22	45,558	
Fairhaven	8	170	314	11,489	322	11,659	



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	ARRIVED		DEPARTED		total	
	Number	Registered net tons	Number	Registered net tons	Number	Registered net tons
Grand Harbour	3	62	28	644	31	706
Lord's Cove	305	10,628	307	10,689	612	21,317
Moncton (Shediac and Pt. du Chene)	19	17,621	18	11,524	37	29,145
Newcastle	21	36,781	7	8,814	28	45,595
North Head	603	91,290	578	91,644	1181	182,934
Richibucto	14	22,558	4	7,195	18	29,753
St. Andrew's	681	80,542	372	69,405	1053	149,947
Saint John	921	955,767	927	980,695	1848	1,936,462
St. Martin's	8	3,835	-	-	8	3,835
St. Stephen	34	6,974	41	7,100	75	14,074
Wilson's Beach	112	2,795	75	2,168	187	4,963
Woodward's Cove	1	13	-	-	1	13
Total New Brunswick Ports	3,442	1,419,205	3,333	1,325,295	6,775	2,744,500

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1 ---Exhibit No. 197: Letter from Magee, O'Donnell  
2 & Byers, Barristers, Montreal,  
3 to the Royal Commission, re  
4 further information in connec-  
5 tion with Iron Ore Transport  
6 Company Limited.

7 EXHIBIT NO. 197

8 Magee, O'Donnell & Byers  
9 Advocates, Barristers, etc.

10 Aldred Building,  
11 507 Place d'Armes

12 Montreal.

13 December 5th, 1955.

14 G.G. McLeod, Esq.,  
15 Secretary,  
16 Royal Commission on Coasting Trade,  
17 490 Sussex Street,  
18 Ottawa, Ontario.

19 Dear Mr. McLeod:

20 Re: Iron Ore Transport Company, Limited.

21 I thank you for your letter of the 25th  
22 ultimo the duplicate of which I have referred to  
23 my clients with the request that they forward to  
24 me such information as they are able to provide.

25 Commissioner Wickwire asked for information  
26 concerning draught, beam and other information  
27 concerning the vessels and this is set out in a  
28 statement headed "General Characteristics" and  
29 "Particular Characteristics" of S.S. "Sept Isles"  
30 and S.S. "Ruth Lake" four copies of which are  
enclosed herewith for the convenience of yourself  
and the three Commissioners.

When I was before the Commission the





1 Chairman enquired as to the reason for the seeming  
2 delay in the completion of the ships, the contracts  
3 having been awarded in 1951. Upon enquiry I was  
4 informed that, while the contracts had, by letter  
5 of intent, been placed in 1951, it was anticipated  
6 that there would be no need for delivery of the  
7 ships until some time in the latter part of 1955.  
8 The delivery date for the first ship as originally  
9 arranged was to have been August 1955 but it was  
10 agreed between the parties that delivery would be  
11 made on the 17th of December, 1955.  
12

13 Yours faithfully,

14 (sgd.) Hugh O'Donnell.  
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GENERAL CHARACTERISTICS

S.S. SEPTILES and S.S. RUTH LAKE

Length Overall	661'-7"
Length between Perpendiculars	630'-0"
Extreme Breadth	87'-4"
Molded Depth	45'-6"
Estimated Draft at Summer Load Line	34'-2"
Power - Steam Turbine and Double Reduction Gears Normal Output	12,500 Horsepower
Corresponding Speed at above Draft	15-1/2 knots
Two Oil fired Water Tube Boilers 600#/sq.in. at	850° F.

PARTICULAR CHARACTERISTICS

S.S. SEPTILES

Cargoes	Iron Ore
Deadweight at Summer Load Line	31,000 Tons
Hold Capacity	592,563 cu.ft.
Estimated Summer Carrying Capacity Seven Islands - Philadelphia	29,800 Tons

(cont'd)

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PARTICULAR CHARACTERISTICS

S.S. RUTH LAKE

Cargoes

Iron Ore or Grade B. Petroleum  
Products any Flash Point

Deadweight at Summer Load Line  
Estimated Hold Capacity

30,600 Tons  
594,000 cu.ft.  
1,119,000 cu.ft.

Estimated Cargo Tank Capacity

Estimated Iron Ore Summer Carrying Capacity Seven Islands -

Philadelphia

29,400 Tons

Estimated Petroleum Products Winter Carrying Capacity

Persian Gulf - Fawley, England

28,150 Tons

Corresponding Crude Oil

213,000 Barrels

Estimated Petroleum Products Summer Carrying Capacity

Persian Gulf - Fawley, England

29,110 Tons

Corresponding Crude Oil

220,250 Barrels

Crude Oil Cargo Pumping Capacity

21,750 Barrels per hr. overall

average

Corresponding Full Cargo Discharge Time Approximately

10-1/2 hrs.

SHIP

CONTRACTOR

LMR. OF INTENT

DATE OF CONTRACT

DELIVERY DATE

SEPT ILES

Furness

April 24, 1951

July 23, 1952

Dec. 17, 1955

RUTH LAKE

Swan, Hunter

April 24, 1951

May 27, 1952

May 31, 1956

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EXHIBIT NO. 198CANADA STEAMSHIP LINES, LIMITED

	Net Earnings before Interest, Depreciation and Reserve for Taxes	Net Income	Price Range of Stock -		Dividends - Common
			High Common	Low	
1940	\$ 3,737,428	\$ 956,409	8-1/4	2	N11
1945	3,841,715	1,062,830	18-1/2	11-3/8	\$ .50
1946	1,873,348	403,785	23	13-1/2	1.00
1947	3,201,732	708,797	17-1/4	12-1/2	1.00
1948	4,244,606	1,282,105	15	11	1.00
1949	5,583,451	1,633,528	15-1/2	12	1.00
1950	5,944,693	1,790,822	25-1/2	14	1.00
1951	9,834,421	2,042,249	59	23	1.00
1952	13,939,504	3,267,941	80	46	1.00
1953	15,087,024	3,484,289	97	70	1.00
1954	11,194,087	2,731,420	100 (delisted March 4th)	88	1.00
1954			New Common following 4 for 1 stock split		(after 4 for 1 split)
			28-3/4	22	Apr 11 15 Oct. 15
1955			41 (to Oct. 3)	20	Apr 11 15 Oct. 15
					.50 .50

Prepared and filed on behalf of the Government  
of Manitoba. 7th December, 1955.

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1 ---Exhibit No. 199: Supplementary submission by  
2 the Shipbuilding Conference  
3 of the United Kingdom.

4  
5 EXHIBIT NO. 199

6 SUPPLEMENTARY SUBMISSION BY  
7 THE SHIPBUILDING CONFERENCE OF THE  
8 UNITED KINGDOM

9 This Supplementary Submission is offered for  
10 the sole purpose of correcting certain statements  
11 contained in Brief Number 36 submitted by

12 Vancouver, New Westminster and District  
13 Metal Trades Council.

14 Victoria & District Metal Trades Council.  
15 Shipyard General Workers Federation.

16 On page 7 of that brief, the following ap-  
17 pears:-

18 "Even the United Kingdom, whose low costs  
19 "are usually cited as the reason for the  
20 "lack of shipbuilding orders to Canadian  
21 "yards, finds it expedient to provide ex-  
22 "tensive assistance.

23 "While specific data regarding  
24 "the assistance provided in recent years  
25 "to United Kingdom shipbuilders has not  
26 "been available to us, we learn from  
27 the Canadian Maritime Commission Report  
28 "of 1949 that it takes the following  
29 "forms:

30 "(a) Long term, low interest loans to





1 "assist in the financing of construction;  
2 "(b) Admiralty bounties, by means of  
3 "which the government pays for features of  
4 "vessels included for national defence  
5 "reasons;  
6 "(c) Accelerated depreciation for income  
7 "tax purposes amounting to as much as 40  
8 "per cent in the first year. Losses may be  
9 "averaged with profits over a six-year period  
10 "for income tax computation."

11 In the evidence taken in Vancouver from Mr.  
12 John W. Bruce who appeared for the three Associa-  
13 tions mentioned above, there appears the following  
14 (Pages 2396 and 2397 of the Transcript) -

15 "It is no good disguising the fact that  
16 "in most of these countries, from our ob-  
17 "servations, there are protective features.  
18 "In Britain there is the long-term, low  
19 "interest loans to assist in the financing  
20 "of construction; Admiralty bounties by  
21 "means of which the Government pay for  
22 "the features of vessels included for  
23 "national defence; accelerated deprecia-  
24 "tion for income tax purposes amounting  
25 "to as much as 40% in the first year,  
26 "and losses may be averaged with profits  
27 "over a six-year period for income tax  
28 "computation."

29 The above quoted statements are inaccurate.  
30





1 The facts are the following:-

2 The British Shipbuilding Industry has not  
3 received direct financial assistance from the  
4 Government and has not sought subsidies.

5 On the question of long-term, low interest  
6 money, the reference must be to the British (Ship-  
7 ping) Assistance Act 1935. At that time, a time  
8 of severe industrial depression, the Government  
9 made certain moneys available to finance ship con-  
10 struction. Actually this money applied to 186,000  
11 gross tons of shipping and the Act was never re-  
12 newed.

13 ADMIRALTY "BOUNTIES" -

14 These so-called "bounties" do not  
15 exist. The United Kingdom Government has at dif-  
16 ferent times borne the expense of stiffening of the  
17 ship in order to enable it to carry guns should the  
18 need arise and also the expense of degaussing. Such  
19 payments are in no sense a contribution to either  
20 the shipbuilder or the ship owner, they are purely  
21 payment for the special equipment of which the  
22 Government might stand in need in the event of  
23 war.

24 ACCELERATED DEPRECIATION -

25 The statement above quoted in re-  
26 gard to depreciation is the final inaccuracy  
27 which The Shipbuilding Conference wishes to point  
28 out.

29 The inference from the quotation is that  
30







1 the depreciation applies only to the Shipping In-  
2 dustry and that it is a form of assistance given by  
3 the Government to the Shipping Industry.

4 Such is not the case. The depreciation is  
5 available to all industry.

6 Originally the rate of depreciation on plant  
7 and machinery (which includes ships) was 20%; in  
8 1949, it was increased to 40%; in 1952 it was sus-  
9 pended and in 1953 it was restored at the 20% rate.

10 Under the Canadian Income Tax Act, the rate  
11 of depreciation on a ship is placed at 15% but such  
12 depreciation, in the same way as the United Kingdom  
13 depreciation, is not in any sense a special advan-  
14 tage granted to shipping.

15 The whole respectfully submitted.

16 MONTREAL, 14th December, 1955.

17  
18 THE SHIPBUILDING CONFERENCE

19 By:

20 (sgd.) S.G. Dixon

21 Its Attorney

22  
23  
24 -----

25  
26  
27  
28 (Page 4968 follows)





1 THE CHAIRMAN: Yes, Mr. McLagan.

2 MR. T. R. McLAGAN: Mr. Chairman and gentle-  
3 men. We appreciate this further opportunity of  
4 elaborating what we had to say in Montreal. I have  
5 a few introductory remarks and the Members of the  
6 Commission may like to have a copy of what I have to  
7 say.

8 THE CHAIRMAN: I think it would be very  
9 convenient.

10 MR. McLAGAN: We have had to leave out the  
11 numbers of the exhibits which we wish to file because  
12 we did not know what your numbers were. We will  
13 have to do it as we go along, but I merely refer you  
14 to the original brief of the Company and to the  
15 further remarks which we made in Montreal.

16 In Exhibit No. 95, we attempted to evaluate  
17 in dollars, per operating season on the Great Lakes,  
18 this difference in cost between Canadian built and  
19 manned and U.K. built and manned ships. In making  
20 this evaluation we quoted those items of ship operating  
21 costs where we believed major differences would exist.

22 Also, in this evaluation, we used two ships of the  
23 same carrying capacity. One of these ships was a modern  
24 Canadian Upper Laker and the other was a U. K. built and  
25 manned vessel. Both ships had a total deadweight of  
26 about 18,000 long tons.

27 We explained carefully that actual operating costs  
28 of the Canadian ships were taken from the C.S.L. records  
29 but that those for the U.K. ships were estimates only.

30





1 We pointed out, however, that the details of costs  
2 had been laid out in such a manner that, if as and  
3 when the Royal Commission received actual U.K.  
4 building and operating costs, it was an easy task to  
5 correct our estimates, if such should be necessary,  
6 and then compare the relative operating economics of  
7 the vessels of both nations.

8 Members of the Commission took some exception  
9 to the details of the estimates presented and to the  
10 type of U.K. ship selected for comparison.  
11 Accordingly, we were asked to prepare figures in more  
12 detail covering different types of U.K. ships of  
13 the largest size capable of using the Seaway since  
14 they are the vessels which will seriously compete  
15 with the Upper Laker.

16 Subsequently the required information was  
17 set forth in a letter to Canada Steamship Lines  
18 dated November, 18th, 1955, from the Secretary of  
19 the Royal Commission.

20 We are, herewith, presenting the information  
21 requested in the following manner. Now, we have this  
22 information and we have not got a number for it.

23 MR. MUNDELL: No. 200.

24 MR. LOWERY: There are several exhibits in the  
25 one submission.

26 MR. McLAGAN: This exhibit gives figures  
27 in connection with --.

28 MR. MUNDELL: I am sorry, Mr. McLagan. Is that  
29 the same exhibit?  
30







1 MR. McLAGAN: Yes.

2 MR. LOWERY: Yes.

3 MR. McLAGAN: In short, we have two sets of this  
4 exhibit. One shows our own costs in blank and  
5 the other one for your information shows them  
6 filled out.

7 Exhibit No. 200 contains the estimates of  
8 details of estimated ship construction costs,  
9 operating cost and statistics of the seven vessels  
10 under construction.

11 This exhibit gives figures in connection with:-

12 (a) Carrying wheat from Fort William to  
13 Kingston and return in ballast.

14 (b) Carrying ore from Seven Islands to  
15 Hamilton and return in ballast.

16 The tables, in each case, are divided into  
17 three parts, i.e.:

18 (a) Basic ship particulars and cargo carried  
19 in one summer season.

20 (b) Comparative operating expenses.

21 (c) Comparative Expenses versus Income, and  
22 Costs per ton and per ton -mile.

23 In the case of Upper Lake type Vessel "A", we have  
24 left out the details of our own operating costs but are  
25 filing them for the confidential information of the  
26 Commission.

27 We have no next exhibit number. I think that  
28 will be exhibit 201.

29 MR. MUNDELL: Can you describe that one also?

30 MR. McLAGAN: Yes, I was just going to. They are





1 called "Design Characteristic Details" of the seven  
2 vessels under construction and these characteristic  
3 details are the same as if we were ship builders  
4 trying to interest you, as ship owners, in buying  
5 certain vessels. The details are all set out here  
6 for each of the ships we are discussing so that  
7 anybody can challenge the suitability of that  
8 ship to travel on the lakes or high seas.

9  
10 EXHIBIT No. 200: Comparative ship operating  
11 costs and revenues.  
(Vessels A to G).

12 EXHIBIT NO: 201: Design Characteristic Sheets.  
13 (Six).

14 MR. McLAGAN: Then we have the next exhibit  
15 202, which provides you with a complete explanation  
16 of the first exhibit, No. 200.

17  
18 EXHIBIT NO. 202: Descriptive Folder for  
19 Exhibit 200.

20 MR. McLAGAN: The calculations of Exhibit No. 202  
21 do bring out the following points:-

- 22 (a) When carrying wheat the U.K. vessels have  
23 a cost per ton advantage over the Canadian  
24 Upper Lakers of approximately from 13 to 23 per  
25 cent, depending on the particular U. K. ship  
26 used as an example.
- 27 (b) When carrying ore the advantage is from 6 to  
28 24 per cent.
- 29 (c) Your attention is directed to the profits per  
30 vessel season before taxes shown in the tables





dealing with Wheat. The rate of "7 cents" is now

the rate per bushel from Fort William to Kingston.

The profits "before taxes" are for a season of 230 days or about 8 months. For the Canadian vessel the profit is for the year, whereas the U.K. ships "c" to "F" can earn profits for the remainder of the year.

The following table shows the return on capital of the ships for the eight-month period and for twelve months, considering that the U.K. ships will operate at the same rate for the remaining four months as they did for the first eight months.

This calculation does not take into account possible loss of time for drydocking during the winter but neither does it take into account the greater cargoes which these vessels can carry during the winter months due to the greater drafts permissible.

On Exhibit No. 201, A. to G., in each case you will see the load that can be carried by these ships on the high seas and on the Great Lakes.

Then we show the profits with which I am dealing based on carrying wheat from Fort William to Kingston. On Vessel A, a Canadian Upper Laker, the percentage of return on capital is about  $2\frac{1}{2}$  per cent whereas with vessel B, a U.K. Upper Laker it would be 9.7 per cent; and with vessel C, a U.K. deep sea vessel it is 8.4 per cent; vessel D, a U.K. deep sea vessel it is 8.5; and;







1 vessel E, another U.K. deep sea vessel, it is 11.7  
2 per cent and vessel F 10.3. per cent.

3 The foregoing figures show that although  
4 the cost advantages of the U.K. ships expressed in  
5 cents per bushel or per ton do not appear large, yet  
6 they are the inescapable differences which enable  
7 the U.K. ships to operate at such a rate that the  
8 Canadian vessels will become unprofitable. The low  
9 returns on capital of the Canadian vessel proves  
10 completely that the Canadian vessel cannot absorb these  
11 differences. (figures showing the actual return  
12 on capital of the new C.S.L. Upper Lakers were given  
13 to you in Montreal.

14 We have stated and still believe that  
15 availability of ships is more important than cheap-  
16 ness exemplified by fractional savings in freight rates.  
17 Apparently some members of the Canadian Government  
18 think so too. We attach the speech of the Minister  
19 of Trade and Commerce made in Calgary in December,  
20 1955, which we have here and I would like to quote in  
21 part what he said.

22 I quote:

23 "It is argued that the Government's policy  
24 "for gas is expensive, that it may mean lower  
25 "prices to producers and higher prices to  
26 "consumers. The evidence is by no means  
27 "conclusive that this is true in the short run,  
28 "and is less impressive as one looks ahead. To  
29 "whatever extent it may be true, let it be  
30 "remembered that we long ago accepted the fact





1 "that there is a price upon Canadian nationhood.  
2 "Had we always sought the cheapest way, there  
3 "might now be 58 rather than 48 states in the  
4 "great country to the South, but there would be  
5 "no Canada. We continue to arrange our own  
6 "vital affairs, even at a price."

7 Under the paragraph "Availability of  
8 Tonnage" of our original brief, it will be seen that we  
9 agree with the views expressed by the Minister of  
10 Trade and Commerce in this speech to the effect that  
11 there is a price to be paid for Canadian nationhood.

12 We remind you that the operating cost  
13 figures of U.K. ships are estimates only. It is no  
14 doubt possible for the Commission to obtain actual  
15 operating costs from those appearing before this  
16 Commission who operate U.K. ships.

17 We realize in presenting the figures on  
18 Exhibit No. 200 we are dealing with events which have  
19 not yet happened, due to the restrictive nature of the  
20 present small St. Lawrence Canals, but which we believe  
21 will happen when the Seaway is completed.

22 Exhibit No. 200 shows the cost of new  
23 ship buildings as we believe them to be.

24 We attach as Exhibit No. 203 a report of  
25 the U.S. Maritime Commission, Moore-McCormack transactions  
26 This indicates that the U.S. Maritime Commission's  
27 estimate is that U.S. built ships cost 65 per cent more  
28 than do European built ships.

29 EXHIBIT NO. 203: U.S. Maritime Commission report.  
30





1 We also attach as Exhibit No. 204  
2 an article from the British Shipping Magazine "The  
3 Shipping World", dated July 6th, 1955, giving the  
4 estimate cost of a U.K. ship of 10,000 D.W.T. with  
5 a speed of  $13\frac{1}{2}$  knots. The indicated price is £750,435  
6 or about \$2,100,000. This price compares very  
7 favorable with our Vessel "C", which is a considerably  
8 larger ship when the difference in their dimentions and  
9 maximum cargo deadweights are borne in mind.

10 ---EXHIBIT NO. 204: Article on cost of cargo ship.

11 In estimating that the cost of new  
12 ship buildings in Canada is about 50 per cent more than  
13 in the U.K. we are confident that we are right.

14 We now believe that we have proved the  
15 statement made in our brief that "U.K. ships with  
16 their lower operating expenses will admittedly be  
17 able to undercut the Canadian vessels when it suits  
18 their purpose".

19 In this connection representatives  
20 of the Ship Building industry in Canada have estimated  
21 the difference in cost of building in Canada and in  
22 the United Kingdom and are here today to provide you with  
23 the details of their estimates to show where the  
24 differences lie.

25 Now, Mr. Chairman, that is all I have to  
26 say. We have Mr. Lowery here of our staff and we would  
27 be glad to give you these exhibits now and answer your  
28 questions or discuss them, if you see fit.

29 MR. MUNDELL: I would think we should have the  
30 exhibits. Do you have enough copies for the  
Commissioners?







1 MR. McLAGAN: Yes. These are a little larger.  
2 It might be more convenient for you.

3 MR. MUNDELL: This is Exhibit 200.

4 MR. McLAGAN: Exhibit 200.

5 MR. MUNDELL: Exhibit 202, Mr. Commissioner,  
6 is the memorandum.

7 MR. McLAGAN: Is it all right to discuss these  
8 details now, Mr. Chairman.

9 THE CHAIRMAN: Yes, proceed, Mr. Lowery.

10 MR. LOWERY: Firstly, in your letter to us,  
11 you asked us to prepare for you some figures  
12 which would show the comparative costs of operating  
13 a large Canadian Upper Laker of the Thunder Bay  
14 class, together with the costs of operating the  
15 largest U.K. vessel which could conveniently be  
16 brought into the Great Lakes and the largest dual-  
17 purpose type vessel which could be brought in.

18 In proceeding to determine the size of the  
19 largest vessel which might be brought into the Great  
20 Lakes, I went through a process of deduction, starting  
21 with a normal modern 10 or 11,000 ton cargo vessel  
22 and progressively built the ships up by a process of  
23 reasoning and whilst you did not actually ask for it,  
24 I felt it would help you if I gave you information of  
25 comparative operating expenses of all the vessels which  
26 I considered so that you could see how the process grew  
27 and you could see how the size of the ship is the  
28 fundamental factor in operating efficiency.

29 The first item I speak about is Exhibit  
30





1 202 together with the Design Characteristic sheets  
2 and together with tables. That has been prepared  
3 at the request of the Commission to show the  
4 comparative operating costs of Canadian Bulk and  
5 Ore Upper Lakers and British built and operated  
6 vessels with which they will probably have to  
7 compete if the Canadian Coasting Laws are not changed.

8 Vessels which are to be compared with  
9 each other are described in the following paragraphs  
10 and more fully detailed on "Design Characteristic  
11 Sheets" attached hereto. Upper Laker - Vessels "A"  
12 and "B". "Design Characteristic Sheet" No. 1.

13 The "Thunder Bay" class has been  
14 chosen as a typical new efficient Canadian Upper  
15 Laker and other vessels will be compared in  
16 performance with the "Thunder Bay" class.

17 The "Thunder Bay" was built in 1952,  
18 is oil fired and carries a total deadweight of 18,756  
19 long tons at her maximum Summer fresh water draft of  
20 23' 8 3/4".

21 There are only 4 Canadian Upper Lakers  
22 which are larger than the "Thunder Bay".

23 The maximum service speed of the "Thunder  
24 Bay" is about 14.4 miles per hour.

25 With regard to general comments on the  
26 vessels we have considered, I would like to put forward  
27 the following general principles which were observed.

28 In preparing and collecting data  
29 regarding ships likely to compete against the "Thunder  
30





1 Bay". The following general principles were  
2 observed.

3 Vessels likely to compete may vary in sea  
4 speed from, say, 11 to 16 knots. The average sea  
5 speed of tramps ordered 1954-1955 appears to vary  
6 between about 12 to 14 knots. As the "Thunder Bay"  
7 has a service speed of about  $12\frac{1}{2}$  knots (14.4 m.p.h.)  
8 it was considered advisable to make all comparisons  
9 with ships having a similar designed sea speed,  
10 thus reducing the number of variables with which  
11 we would have to contend in making any comparison.

12 The "Thunder Bay" has Skinner Steam Machinery  
13 and oil-fired boilers. In accordance with what  
14 is almost standard practice in modern deep-sea  
15 vessels it has been assumed that competitive ships  
16 are diesel-propelled, burning diesel oil.

17 Vessel "C" which was on one of the first of  
18 these characteristic sheets, you will see where we  
19 give the basic dimensions of the vessel; its speed,  
20 its shaft horsepower, its block co-efficient, which  
21 is measured by the relative fullness or fineness  
22 of the hull form, and then we give the total  
23 cubic feet in bushel capacity, and we also give  
24 the bushel capacity of the ship at 25 foot 6  
25 draught or less.

26 We also then give the comparative dead-  
27 weights, with which I will deal a little later.  
28 We give the assumed or estimated fuel consump-  
29 tions both with the vessel running and with the  
30







1 vessel in port.

2 The design characteristic sheets also show  
3 the estimated cost of the vessel built in the U.K.  
4 compared with the cost of building the same ship  
5 in Canada, and we give also a preview of the mid-  
6 ship section of the ship in order to help the Com-  
7 mission properly understand the characteristics of  
8 the ship.

9 Turning to comparative vessel "C", which is  
10 the first opposition ship which we are thinking  
11 about, I felt instead of producing a design myself  
12 it would be better if I used some other person's  
13 design, so this is actually a design published in  
14 the most recent technical paper on the "Design of  
15 Economic Tramp Ships" read by E.C.B. Corlett before  
16 the Institute of Naval Architects, October 31st,  
17 1955.

18 This information is taken from an advanced  
19 copy of the paper which was sent to me by the  
20 author for my comments, so this paper is not pub-  
21 lished yet.

22 There are many vessels of this general type  
23 and size under construction. It was thought  
24 that the Commission would prefer comparisons to  
25 start with a standard modern tramp actually de-  
26 signed by U.K. Naval Architects.

27 This vessel carrying some 10,000 long  
28 tons as an "Open Shelter Decker" and 12,600 long  
29 tons as a "Closed Shelter Decker" is quite normal  
30





1 and there are actually many larger vessels under  
2 construction or contemplated.

3 In this vessel, while you will see she has  
4 a 592,000-bushel total capacity at 25 foot 6 fresh  
5 water draught with 15 days' fuel, which is the  
6 standard used for ships operating on the Great  
7 Lakes, she can only carry 350,000 bushels of her  
8 total capacity of 592,000 bushels, although on the  
9 ocean during the winter she can carry 12,600 tons  
10 of cargo at 30 feet 8 inches with 40 days' fuel,  
11 and she can only carry 9,400 tons of cargo on the  
12 Lakes at 25 foot 6 inches fresh water draught with  
13 15 days' fuel.

14 The other information on that sheet I think  
15 is self-explanatory.

16 Vessel "D", as I say, is a perfectly normal  
17 design, it is geometrically similar to the ship  
18 "C", but it is a bigger vessel.

19 The depth has been increased to 44 feet,  
20 all other dimensions in proportion.

21 The reason why we increased the depth to  
22 44 feet is because before this Commission sat we  
23 in Canada Steamship Lines had been deciding in  
24 the event that the Seaway went through, we were  
25 interested in ships which would go in or out of  
26 the Lakes and the depth of ship which we thought  
27 would be most suitable would be a depth of 44 feet  
28 at that time. Therefore throughout this analy-  
29 sis we have assumed a 44 foot depth, but all other  
30





1 dimensions have been made proportionate.

2 This ship cannot be considered to be a freak,  
3 and in our opinion certainly represents a typical  
4 large tramp of the future because tramp ships are  
5 getting larger with every year.

6 This vessel could carry general freight,  
7 grain, coal, etc., and could also carry ore.

8 The maximum depth has been set at 44 feet  
9 since this depth would be perfectly satisfactory for  
10 almost any deep-sea loading or discharging berths.  
11 That is accepted in the general trade.

12 A vessel 44 feet deep could operate at the  
13 majority of ore unloading docks in the Great Lakes;  
14 at most deep-sea ore unloading berths; at most  
15 deep-sea ore loading berths (including Seven  
16 Islands); at the majority of grain loading docks in  
17 the Great Lakes (although some of the grain loading  
18 docks would require detachable sections on the  
19 ends of the loading spouts, but this is neither  
20 difficult nor expensive).

21 The reason why they need detachable sec-  
22 tions is that if the ship's depth is too high, the  
23 spouts would be too long because there are no  
24 grain unloading berths in the Upper Lakes at pre-  
25 sent at which a vessel 44 feet could operate.

26 They could operate at the new grain unload-  
27 ing berths proposed at Montreal; at most deep-  
28 sea grain unloading berths; and at most deep-  
29 sea general cargo loading and discharging berths.  
30









1           They are all the places where a 44 foot  
2 vessel could operate.

3           On the other hand, a vessel 44 feet deep  
4 could not operate at most ore loading docks in the  
5 Great Lakes because their spouts are lower than that.  
6 It could not operate at most grain unloading berths  
7 in the Great Lakes because the marine locks are such  
8 they could not be lifted up sufficiently to clear  
9 a vessel 44 feet deep.

10           These two disadvantages, however, are no  
11 longer of such prime importance since vessels 44  
12 feet deep can carry ore from Seven Islands to  
13 Canadian Great Lakes ports and can carry grain from  
14 the Lakehead to Montreal because we do not believe  
15 they will be going to elevators where 44 feet deep  
16 would be a disadvantage, and these are the two  
17 major operations which are feared by Canadian  
18 operators.

19           As has been said above, the 44 foot deep  
20 vessel is also perfectly suitable for world trade.

21           The next vessel which I considered was a  
22 larger vessel still, and this vessel design has  
23 been achieved by making vessel "C" 44 feet deep,  
24 making the ship a "closed shelter decker" (thus  
25 making the top deck the strength deck) and making  
26 the other dimensions the maximum acceptable on  
27 a depth of 44 feet.

28           Now, the difference between the closed  
29 shelter decker and the open shelter decker is  
30





1 that in the open shelter decker, the long tween  
2 deck, which you see on the design, is actually an  
3 erection built on top of the vessel and not an in-  
4 tegral part of the ship, and because of that is  
5 considered to be open by virtue of having the ton-  
6 nage finally at the aft end of the deck without  
7 means of permanently closing it.

8 The operator gets an exemption from tonnage  
9 dues for that space so that most tramps are open or  
10 closed shelter deckers. While they are operating  
11 as open shelter deckers they avoid paying these  
12 tonnage dues, but that is not the type of vessel  
13 which would normally be going into the Great Lakes.

14 It appears to me what will be done is that  
15 the vessels will be built as closed shelter deckers,  
16 that the tonnage bins will be closed and will be-  
17 come part of the ship.

18 This, of course, is not a new type of ship.  
19 It is a very common ship.

20 This results in a ship 640 feet long, because  
21 of the ratio of the length of the ship to the  
22 depth, a ship 640 feet in length and 73 feet  
23 beam, and the result is a most useful general car-  
24 go ship which would carry 17,450 long tons at  
25 25 ft. 6 inches draught in the Great Lakes and  
26 24,150 long tons outside the Lakes at a deeper  
27 draught.

28 The vessel is a "tramp" type, but is ob-  
29 viously is somewhat large for "catch-as-catch-  
30





1 can" world tramping.

2 In other words, I do not think it is the type  
3 of ship that will be sent here or there to pick  
4 up the odd cargo. It is a ship which will be  
5 placed for seasons in bulk trades. It is, however,  
6 a most acceptable and efficient ship for special  
7 trades for which employment can be arranged for  
8 fairly long periods.

9 This ship could function most satisfactorily  
10 in the Great Lakes during the summer months, but  
11 its large size may act as a deterrent against its  
12 general acceptance by shipowners since it would  
13 admittedly be less flexible than smaller vessels in  
14 the winter. This disadvantage would, in many  
15 cases, be more than offset by its far more efficient  
16 performance whilst actually employed.

17 I feel quite sure that that is the choice  
18 of the general cargo ships which I discussed. This  
19 is a ship which I feel is infinitely suitable for  
20 operation and a ship which I feel sure you would  
21 see without any doubt. I think we would see  
22 many vessels of that type.

23 Then vessel "F" is the type of vessel which  
24 we believe will constitute the major threat to  
25 the Canadian Great Lakes ship operators. That  
26 is on Design Characteristic Sheet No. 5.

27 It is the same over-all size as the general  
28 cargo vessel "E", this vessel is designed speci-  
29 fically for the efficient carriage of bulk  
30







1 commodities, notably grain, ore or coal.

2 This ship, you will see, has no tween decks  
3 but is of the same general dimension as the other  
4 vessel. It has a larger water ballast capacity  
5 and it has two bulkheads with openings at the bot-  
6 tom so that when the vessel is carrying ore the  
7 centre as well is used.

8 When it is carrying grain or coal or any  
9 other like commodity, the commodity is put down  
10 not only the centre section, but the two side sec-  
11 tions too which, because of the slope of the side  
12 sections, have a greater angle of repose  
13 than the angle of the commodity.

14 All the material is removed from the centre  
15 by gravity or suction or lift or whatever system  
16 is used. It is an extremely useful ship for carry-  
17 ing ore, grain or coal.

18 Then I come to vessel "G" which is quite a  
19 similar ship again. This vessel is the same  
20 size but it is in the trade we are concerned with  
21 because this vessel is designed to carry ore or  
22 oil.

23 Its ability to carry oil, alternatively  
24 ore, should, however, assure it of winter employ-  
25 ment. This is a most popular type of new vessel  
26 and which we are seeing being built in Canada at  
27 the moment. This is a vessel which can carry  
28 oil or ore. There are many, many ships similar  
29 to this being constructed at present.  
30





1           Gentlemen, that concludes my comments on the  
2 type of vessel to which the following analysis  
3 is going to be applied.

4           Now we come to some of the factors which  
5 appear on the operating costs tables which you have  
6 before you, and we felt it advisable to put down  
7 in writing the reasoning used for each column and  
8 each section with regard to ship prices which we  
9 have used in these tables.

10           It must be borne in mind that actual building  
11 prices are extremely difficult to obtain and can  
12 vary considerably due to many not too apparent  
13 reasons, including details of design and equipment,  
14 type and power of propulsion machinery, existing  
15 contracts which a builder may have for similar ves-  
16 sels, etc.

17           It is, however, believed that the 1955 build-  
18 ing prices which have been used are fair estimates  
19 and should be fairly correct, for single vessels  
20 built in suitable shipyards under average condi-  
21 tions with average profit.

22           Additional building cost, Canadian vs. U.K.,  
23 has been assumed in all cases to be 50% although  
24 it is believed that the actual differential is  
25 probably somewhat greater than this. I felt to  
26 use 50% would be the right thing to do.

27           The Canadian prices can be assumed to be  
28 fairly accurate, and in order to preserve the 50%  
29 differential fairly generous prices have been  
30





1 used for the U.K.-built vessels. Since this has  
2 the effect of increasing the U.K.-built vessels'  
3 fixed operating costs no argument should result  
4 from this action on our part.

5 Canadian price for a vessel "A", that is the  
6 "Thunder Bay" class, has been based upon the actual  
7 original cost of the "Thunder Bay" increased to  
8 take care of three years' general increase in <sup>ship</sup> prices,  
9 and assumes the vessel to be one of a type with  
10 new propulsion equipment.

11 In other words, that is what it would cost  
12 to build a ship, not the same as the "Thunder Bay",  
13 but similar to the "Thunder Bay", so that we have  
14 not taken advantage of prices or patterns or other  
15 features in order to make prices comparable with  
16 the U.K. vessels.

17 U.K. price for vessel "C" has been based upon  
18 prices which have been quoted for not dissimilar  
19 vessels.

20 U.K. prices for vessels "D" and "E" have  
21 been based upon the price assumed for vessel "C"  
22 corrected for size, etc.

23 U.K. price for vessel "G" has been based  
24 upon actual British quotation of 1953 which we  
25 received. U.K. price for vessel "F" based upon  
26 estimate for vessel "G". That is the oil, al-  
27 ternative ore, carrier, and that has been brought  
28 up-to-date to suit the 1955 prices in the U.K.,  
29 the price for vessel "F".  
30







1           In each case we have compared the costs as  
2 they have come up, and we believe that they are  
3 fairly close and the best estimates we can make of  
4 the costs of these relative vessels.

5           Now then, dealing with the question of dry  
6 docking; ocean vessels will require time for dry  
7 docking, etc., and costs against such lost time for  
8 these analyses are assumed to apply against winter  
9 earnings.

10           Now then, dealing with the left hand side of  
11 the large sheet; that is:

12  
13  
14  
15  
16  
17                           (Page 4989 follows)  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





1 VESSELS OPERATING HEAD OF LAKES TO KINGSTON IN  
2 WHEAT

3 The operating costs and revenues of the fore-  
4 going vessels have been compared under similar con-  
5 ditions and summarized in tabulation form on the  
6 sheet headed

7 "COMPARATIVE SHIP OPERATING COSTS AND REVENUES"

8 Every care has been taken to ensure that  
9 that the comparisons have been made impartially and  
10 objectively and are as accurate as possible within  
11 the limits of our knowledge.

12 In order that the Commissioners can appre-  
13 ciate the care which has been taken in preparing  
14 the figures and the bases upon which the comparisons  
15 have been made, the following explanatory notes  
16 are offered.

17 These notes describe both the reasoning  
18 behind each item in the comparison which might be  
19 considered to be controversial and also explain  
20 the methods used to arrive at the figures actually  
21 quoted.

22 From the figures quoted and the reasoning  
23 behind them the Commissioners can use their own  
24 judgment as to whether they should be accepted  
25 or modified. Modifications are very, very easy  
26 to make since the difficulties are not consider-  
27 able.

28 It is, however, submitted that all U.K.  
29 owned and operated vessels considered in this  
30 analysis show such an overwhelming advantage over





1 the Canadian built and operated vessel that  
2 grievous errors of considerable proportion would be  
3 necessary if the general conclusions are to be upset.

4 General.

5 These are general comments concerning the  
6 analyses.

7 All vessels have been compared for a Great  
8 Lakes operating season of 230 days.

9 It has been assumed that all vessels - that  
10 is, all U.K. and Canadian Upper Lakers - are engaged  
11 carrying wheat from Fort William to Kingston and  
12 return in ballast for the whole of the operating  
13 season. It has been thought advisable to have the  
14 vessels stopping at Kingston since any analysis  
15 which assumed the ships going to Montreal would  
16 require both an estimate of time to travel through  
17 the new St. Lawrence Seaway to Montreal and an  
18 allowance for the tolls to be charged on the new  
19 St. Lawrence Seaway.

20 The assumptions to be made, particularly  
21 with regard to Seaway tolls, could cause confusion  
22 and disagreement and upset some of the analyses.

23 Whilst it is appreciated that Fort William  
24 to Kingston will not, in future, be a normal  
25 voyage, it is believed that the economic analysis  
26 for this run will serve as a satisfactory mea-  
27 sure to indicate the probable relative economics  
28 when operating between Fort William and Montreal.

29 Now the first table shows the vessel's  
30 identity letters, a description of the ship,







1 the speed in miles per hour, the bushel capacity  
2 at 25 foot 6 draught or less, and the round trip  
3 distances in miles, 2068. Then we go to the voyage  
4 time.

5 Running Time

6 Running times have been calculated by taking  
7 the total voyage distance and dividing by the  
8 average sea speed and then adding the following  
9 delay for the round trip based upon C.S.L. actual  
10 service records.

11	Soo Locks	3 hours
12	St. Clare River, Lake &	
13	Detroit River	5 "
14	Welland Canal	18 "
15	Berthing and Unberthing	2 "

16 Loading and Unloading Times

17 Loading and unloading times shown include  
18 lost time for moving ship, meal hours, overnight  
19 stoppage, etc., and are based upon C.S.L. actual  
20 service records. We have taken these for each  
21 vessel, and we have taken two similar ships which  
22 we have and which have made many, many voyages,  
23 and we have computed the speed. This is actually  
24 the way we make our own analyses for our own busi-  
25 ness.

26 Vessels "C" "D" and "E" have been penalized  
27 on unloading time (excluding lost time) by 10%,  
28 due to their being general purpose vessels and  
29 therefore not so convenient for unloading grain.

30 Roud Trip Time in Hours.





1           The calculated net round trip time obtained  
2 from the addition of the running, loading and un-  
3 loading times has been increased by 5% to allow  
4 for lost time due to delay caused by bad weather,  
5 fog, etc. This allowance is based upon an analy-  
6 sis of C.S.L. records.

7           The rest of that table shows how the round  
8 trip time in hours is brought down to trips per  
9 season. Then, we have produced bushels per season  
10 and taking the average weight of wheat we have  
11 worked out the tons per season which would be carried  
12 by each of the vessels considered under the condi-  
13 tions I have just quoted.

14           Wages

15           The wages for vessel "A" are taken from  
16 the confidential C.S.L. documents handed to the  
17 Commission headed: "COSTS PER OPERATING DAY FOR  
18 NEW UPPER LAKERS STANDARD COST ESTIMATES FOR 1955".

19           The comparison with vessels "A" and "B" are  
20 Canadian Steamship Lines' actual figures. On the  
21 submission we have only shown the total operating  
22 expenses but in arriving at the make-up of  
23 these total expenses we have included in the wage  
24 scale an amount to take care of bonuses, overtime,  
25 holidays, welfare, etc. This allowance has  
26 been found to be approximately 25% of the  
27 basic wage.

28           The wages for U.K. operated vessels have  
29 been compiled using Appendix I of the replies  
30 to questions submitted to the Royal Commission





1 by the General Counsel of British Ships, dated  
2 August 22, 1955, which we thought was probably the  
3 most authoritative source of information to compute  
4 this wage bill.

5 All rates shown in this Appendix I as "Be-  
6 gin at Rates" have been increased by 5% and effi-  
7 ciency service pay has been allowed for in all cases.  
8 The total crew assumed on the U.K. vessels has  
9 been assessed at 36, whereas the Canadian Upper  
10 Lakes type vessel is assumed to have a crew of 31,  
11 whether operating under Canadian or U.K. Registry.

12 It is believed that U.K. ships could operate  
13 with a crew of less than 36 but to avoid argument  
14 and to charge the U.K. ships with the maximum wage  
15 bill a crew of 36 has been assumed.

16 It is not known what the fringe benefits  
17 amount to in U.K. wages, but in view of the ex-  
18 tremely generous agreements applicable to Canadian  
19 seamen it is considered that 20% added to the U.K.  
20 basic rates should be more than sufficient. The  
21 wage allowance on the larger vessels "B" "F" and  
22 "G" has been increased to take care of higher  
23 paid Senior Officers.

#### 24 Fuel Costs

25 Separate fuel costs have been calculated  
26 for each vessel running at power, running at  
27 slow speed and whilst in port. The proportion-  
28 ate time spent in each phase for each vessel  
29 has been taken into account in calculating the  
30 annual fuel consumption. We have not simply







1 assessed a certain number of tons per day, we have  
2 taken each vessel and taken the time running fast,  
3 the time running slow and the time in port, and  
4 the various other factors to arrive at the figures  
5 shown here. The fuel bill on the Diesel driven  
6 British vessels could be less if they were equipped  
7 to burn boiler oil.

8 For the purpose of this analysis and in  
9 order to show the U.K. costs high rather than low,  
10 the vessels have been presumed to be burning diesel  
11 oil, whereas they could burn fuel oil at lower cost.

12 It will be noted that the fuel cost assumed  
13 for the "Thunder Bay" exceeds those indicated on  
14 the C.S.L. Standard cost Estimate since the cost  
15 estimates are based upon the vessel running at a  
16 lower average speed than 14.4 m.p.h. That esti-  
17 mate was based on a lower speed so you will see  
18 I am using a higher fuel rate here than I did on  
19 the "Thunder Bay"; but since I have put up the  
20 fuel rate that will increase our operating costs.  
21 I did not think that would cause too much concern.

#### 22 Provision Costs

23 The rate per day for provisions shown on  
24 the C.S.L. confidential document referred to  
25 previously - that is, the document we gave the  
26 Commission in Montreal - has been used for the  
27 Canadian Upper Laker and the same rate per person  
28 has been applied to the increased crew number on  
29 the U.K. ships; so that we have assumed their  
30 costs per man day are the same as our own.





1                   Repairs and Maintenance

2                   The figures for vessels "A" and "B", true Up-  
3 per Lakers, which vessels would be permanently in  
4 the Great Lakes, are taken from the C.S.L.  
5 confidential document on Standard Cost Estimates, -  
6 which the members of the Commission have - the re-  
7 pair and maintenance estimates for the other U.K,  
8 operated vessels have been taken pro rata on the  
9 relative construction cost plus 10%, which figures  
10 assume that some 20% of the repairs are done in  
11 Canada.

12                  In other words, if we assume the cost of re-  
13 pairs in Canada is a similar ratio to the new con-  
14 struction costs and assume 20% of the United Kingdom  
15 repairs are done in Canada, this would end up  
16 that their repair bills, pro rata on construction  
17 costs, would be 10%, and that is the way that column  
18 has been made up.

19                  It should be noted that the repairs and  
20 maintenance charges are quite small since they re-  
21 late to new vessels. As the vessels become older  
22 these charges will naturally increase.

23                   Supplies, Dues and other Charges

24                  Charges shown in this column include all  
25 miscellaneous charges such as Canal dues, towing,  
26 supplies and tools, dock and harbour dues,  
27 pilotage, etc., and are based directly on the  
28 respective deadweight tonnages of the various  
29 vessels. The Canadian Steamship Lines' figures  
30 have been taken from our records and the others





1 are based on the respective deadweight tonnages of  
2 the various vessels.

3 This assumes that many of these charges for  
4 U.K. vessels will have a Canadian source, so I  
5 think we have been fair and reasonable in assessing  
6 the figures for that column.

7 Overhead

8 On the Canadian operated vessels overhead  
9 has been assessed at approximately  $12\frac{1}{2}\%$  of all  
10 operating cost exclusive of insurance, depreciation  
11 and interest.

12 Taking into account the fact that a consider-  
13 able amount of overhead applying to U.K. operated  
14 vessels will involve U.K. head office staff and  
15 expenses and in addition remembering that these U.K.  
16 vessels can recover their overhead in 12 months'  
17 operation, the overhead allowance of all U.K. oper-  
18 ated vessels (except vessel "B", which remains  
19 within the Great Lakes) has been assumed to be 10%  
20 of all operating costs excluding insurance, depre-  
21 ciation and interest, as compared with the  $12\frac{1}{2}\%$  of  
22 the Canadian Upper Laker. The percentage applied  
23 to vessel "B" has been assumed to be  $12\frac{1}{2}\%$ .

24 Insurance

25 The insurance figure shown for the Canad-  
26 ian built Upper Laker is the same rate as shown  
27 on the C.S.L. Standard Cost Estimate, which was  
28 handed to the Commission, but has been corrected  
29 for the increased capital expenditure related to  
30 the cost of such a vessel built in 1955.









1           The insurance charges for all other vessels  
2 have been worked out at the same rate pro rata  
3 on the original estimated construction cost.

4           That deals with all the variable expenses.

5           FIXED EXPENSES

6           Fit-out and Lay-up

7           This charge has only been applied to the  
8 vessels which will remain in the Canadian Lakes  
9 during the Winter.

10          Depreciation

11          Depreciation has been calculated at 4% per  
12 annum of the capital cost for vessels "A" and "B",  
13 whilst vessels "C" to "F" - that is, the vessels  
14 which are really deep-sea vessels - have been cal-  
15 culated at 5% per annum due to their greater utili-  
16 zation and the probable faster physical depreciation  
17 of ocean-going vessels.

18          The true Upper Lakes vessels have been  
19 charged with the total depreciation in the Summer  
20 operating season. The other vessels have been  
21 assumed to take 230 days of their annual deprecia-  
22 tion in the Summer operating season.

23          Interest

24          Interest has been charged at  $2\frac{1}{2}\%$  per  
25 annum, this being assumed to be a rough equiva-  
26 lent of 5% per annum if borrowings were required  
27 to finance the ship construction and if borrow-  
28 ings were repaid over the useful life of the ves-  
29 sel.

30          The entire interest charge must be absor-





1 bed by the Upper Laker in the Summer season.

2 Only 230 days of the interest charge has  
3 been charged to the U.K. ocean vessels operating  
4 during the Summer season.

5 We then come to the total fixed expenses. In  
6 the last column we have added the total variable  
7 expenses to the total fixed expenses and we arrive  
8 at the total operating costs. I must point out  
9 that the vessel "G" is not used in this total because  
10 it is an ore/oil carrying vessel.

11 Handling Expenses

12 When a vessel is engaged in the grain trade  
13 in order to arrive at the profit before taxes, both  
14 operating expenses and handling charges must be  
15 deducted from revenue. The handling charges which  
16 cover such items as elevation, outturn insurance,  
17 tallying, etc., vary somewhat, but at Kingston  
18 average approximately 1¢ per bushel. In the econ-  
19 omic analysis submitted, therefore, 1¢ per bushel  
20 has been added to operating expenses to cover  
21 handling charges.

22 So we have handling expenses, operating  
23 expenses, and then we have a column "total ex-  
24 penses including handling". Taking the "total ex-  
25 penses including handling" and dividing it into  
26 the "total bushels carried" we get a column head-  
27 ed "cost per bushel" for the various vessels com-  
28 pared.

29 We have "total tons carried", and from  
30 that column and "total expenses" we have the





1 relative costs per ton.

2 We then have a column "ton-miles per season"  
3 for each vessel, and dividing that into the expenses  
4 we get the comparative costs per ton-mile.

5 These figures show costs and this column  
6 indicates - if we take the first column, which is  
7 the simplest one, the one that is headed "cost per  
8 bushel" and ranges from 4.68 to a high of 6.15 -  
9 the freight rate.

10 Cost per Ton

11 This column indicates the freight rate which  
12 would be necessary under the conditions described  
13 to merely cover expenses and show no profit whatso-  
14 ever.

15 As Mr. McLagan pointed out in his opening,  
16 whilst we may have a relatively small difference in  
17 the actual cost of operation, as soon as you begin  
18 to calculate a freight rate which is greater than  
19 costs the relative profits can be quite different  
20 from the relative costs. Therefore, we have  
21 shown on the last two columns of that table what  
22 the income of each of these vessels would be  
23 running to Kingston if they were receiving 7¢ per  
24 bushel, the present rate. And we have shown the  
25 profit before taxes, which you will see is a  
26 much more interesting factor than the straight  
27 relation, costs carried.

28 Further, Mr. McLagan in his opening comments  
29 mentioned that these profits were the only profits  
30









1 during the summer season, and if you relate these  
2 profits back to the investments on the vessels you  
3 will see it is even more noticeable what an over-  
4 whelming advantage the United Kingdom vessels have.

5 After doing this we received a request from  
6 the Commission to do a similar computation for the  
7 vessels operating from Seven Isles to Hamilton  
8 carrying ore. This has necessitated us making  
9 calculations assuming the ships to go through the  
10 new St. Lawrence Waterway, which we avoided doing  
11 in the analyses of wheat, which is why we took the  
12 ship to Kingston, we did not feel we should go  
13 right through the figures to Kingston so there is  
14 a little inconsistency. The carriage of ore  
15 must assume the ships go through the Seaway be-  
16 cause you requested us to do that.

17 Then, we get to the right hand side of the  
18 analyses which deals with the vessels operating  
19 from Seven Isles to Hamilton.

20 VESSELS OPERATING SEVEN ISLANDS TO HAMILTON  
21 CARRYING IRON ORE

22 All vessels have been compared for a  
23 Great Lakes operating season of 210 days - that  
24 is, 20 days less than the grain ships.

25 It has been assumed that all vessels  
26 are engaged exclusively in carrying iron ore  
27 from Seven Islands to Hamilton and return in  
28 ballast for the whole of the operating season.

29 Economic analysis on this particular run  
30 has been requested by the Royal Commission



1 subsequent to the analysis made on the vessels  
2 carrying wheat from the Head of the Lakes to King-  
3 ston.

4 In attempting to assess operating expenses,  
5 revenues, etc., carrying ore from Seven Islands to  
6 Hamilton, we have been forced to assume the vessels  
7 came through the new St. Lawrence Seaway with an  
8 attendant increase in the number of doubtful factors  
9 in the comparison.

10 Since there was no alternative, times have  
11 been estimated for passage through the new Seaway  
12 but the analysis takes no account of possible  
13 Seaway tolls since apart from the actual magnitude  
14 of the tolls the basis upon which they will be  
15 charged is not known. Charges could be on any  
16 one or combination of the following bases:-

- 17 (a) On the actual cargo carried at any time  
18 with a separate rate for vessels in ballast.
- 19 (b) On the gross registered tonnage of the ves-  
20 sels irrespective of cargo carried at any  
21 time.
- 22 (c) On the net registered tonnage of the  
23 vessels irrespective of cargo carried at  
24 any time.
- 25 (d) On some formula yet to be conceived. For  
26 example, both the Suez and Panama Canal  
27 Authorities assess Canal tolls on special  
28 basis which is neither deadweight, gross  
29 registered tonnage or net registered ton-  
30 nage.





1                   Running Time

2                   Running times have been calculated by taking  
3                   the distance from Seven Islands to Montreal plus  
4                   the distance from Kingston to Hamilton divided by  
5                   the average sea speed and adding 22 hours as an  
6                   estimated time to traverse the new St. Lawrence Sea-  
7                   way plus 2 hours for slow running at Quebec, Three  
8                   Rivers, Montreal, etc., plus 1 hour for berthing  
9                   and unberthing.

10                  This figure was doubled to give round trip  
11                  net running time.

12                   Loading and Unloading Times

13                  Loading and unloading times shown include  
14                  lost time for moving ship, meal hours, overnight  
15                  stoppage, etc., and are based upon analysis of  
16                  C.S.L. service records.     Vessels "C" and "D" have  
17                  been penalized 8 hours on unloading time and vessel  
18                  "E" 10 hours due to their being general purpose  
19                  vessels and therefore not so convenient for unload-  
20                  ing as a true ore carrier.

21                   Round Trip Time in Hours

22                  Calculated net round trip time has been  
23                  increased by 5% to allow for other lost time.

24                   VARIABLE EXPENSES

25                   Wages

26                  Wages have been assessed as for the vessels  
27                  operating in grain reduced for the fewer opera-  
28                  ting days.

29                   Fuel Costs

30                  Fuel costs have been calculated in detail







1 in a similar manner as for the vessels operating  
2 in wheat. So that column is not just 210/230ths  
3 of the other column, each ship has been calculated  
4 individually - running fast, running slow, time in  
5 port, etc.

6 Provision Costs

7 Same rate per day has been used as for the  
8 vessels operating in wheat.

9 Repairs and Maintenance

10 The same figures have been used as those for  
11 the vessels operating in wheat.

12 Although the number of operating days is  
13 less the service is at least 10% more onerous, so  
14 I have used the same figure.

15 Supplies, Dues and other Charges.

16 Same charge per day has been applied for the  
17 vessels operating in wheat.

18 Overhead

19 Overhead has been assessed on the same basis  
20 as for the vessels operating in grain.

21 Insurance.

22 Same charge per day as for vessels opera-  
23 ting in wheat.

24 FIXED EXPENSES

25 Fit-Out and Lay-Up

26 This charge has only been applied to the  
27 vessels which will remain in the Canadian Lakes  
28 during the Winter.

29 Depreciation

30 Depreciation has been calculated in similar





1 manner as for vessels operating in Wheat except  
2 that vessels "C" to "G" have been charged 210 days  
3 of their annual depreciation instead of 230.

4 Interest

5 Interest has been charged in a similar manner  
6 to that applied to the vessels operating in Wheat,  
7 except that vessels "C" to "G" have been charged  
8 for 210 days.

9 Cost per Ton

10 This column indicates the net freight rate  
11 which will be necessary under the conditions des-  
12 cribed to merely cover expenses. The actual  
13 freight rate required to just cover expenses will  
14 be this net freight rate plus whatever allowance  
15 is necessary to take care of the Seaway tolls.

16 So, of course, that cost per ton for carry-  
17 ing cargo from Seven Isles to Hamilton cannot be  
18 used as an over-all figure when the Seaway comes  
19 in because it takes into account no amount for  
20 estimated Seaway tolls. This column was not ex-  
21 tended by assuming any freight rate because we  
22 would have to make an assumption on the toll  
23 charges and we do not feel we are qualified to do  
24 that. We have shown the relative costs per  
25 ton of the various vessels and extended it to  
26 show the cost per ton-miles for these vessels.

27 Gentlemen, that concludes my explanation  
28 of the analyses we have made but if there is  
29 anything which I have not made clear I would be  
30 very happy to try and do so.





1           Now, the conclusions to be arrived at from  
2 these analyses are not made by me, Mr. McLagan made  
3 those in his opening comments.

4           THE CHAIRMAN:   Is there anything to be  
5 gained by you attempting to go through this now,  
6 Mr. Mundell?

7           MR. MUNDELL:    I do not think, my lord, we  
8 can do a very adequate job this morning.   However,  
9 there are one or two points we might clear up.

10          THE CHAIRMAN:   If there is anything on which  
11 you wish further information ask him now.

12          MR. MUNDELL:    One point I was not clear on  
13 was the matter of the decks, open and closed shelter  
14 decks.   I am afraid I did not follow that explana-  
15 tion.

16          MR. LOWERY:     If you take vessel "C" and  
17 look at it --

18          MR. MUNDELL:    I did not follow the  
19 explanation or the significance.

20          MR. LOWERY:     If you look at vessel "C"  
21 all you would see at sea is a long, continuous  
22 deck with a super-structure aft and a funnel on  
23 it.   But that vessel has a tween deck on it.  
24 When that ship is carrying a cargo which does not  
25 need the tween deck at the aft end, just in  
26 front of the bridge, there is a short hatch a  
27 few frame spaces long and that hatch, by law, can-  
28 not be battened down.   That makes this tween deck,  
29 technically, open to the sea and is not consider-  
30 ed as a fundamental part of the ship, it is







1 considered to be an erection on the vessel. The ad-  
2  
3 vantage the owner obtains by so doing is that if he  
4 is going into foreign ports or dry dock, where he  
5 is charged his net registered tonnage, the tonnage  
6 of that tween deck is exempt and is not calculated  
7 in his tonnage. If he gets into a trade where he  
8 would like to utilize that tween deck he fills in  
9 that opening, if his ship is designed to do so.  
10 Some ships are designed as open shelter decker  
11 vessels and they have less relative draught than  
12 other types of vessels. If he builds his ship so  
13 that he can close that deck and carry his tween  
14 decks full of cargo he can load to a deeper  
15 draught, but then he pays dues on the tween  
16 deck space and the freeboard of the ship as an  
17 open shelter decker. The distance of the ship  
18 above the water line is calculated to the upper-  
19 most tonnage deck, which in open shelter deckers  
20 is that lower deck.

21 MR. MUNDELL: I see. I think I follow  
22 you now. The significance from the point of  
23 view of trade on the Lakes is that a higher ton-  
24 nage --

25 MR. LOWERY: The significance of it  
26 would be, by abandoning the opportunity of oper-  
27 ating as an open shelter decker and making the  
28 vessel a closed shelter decker the top of the  
29 deck becomes the top of the ship from which  
30 the freeboard is considered and the tonnage is





1 estimated, which allows you to make the ship so  
2 much longer and its tonnage becomes the same as any  
3 other ore carrier, which has not that alternative.

4 The shelter deck vessel is not really a  
5 type for carriage of ore. Vessel "E", which is a  
6 bulk type carrier, which I have made a closed shelter  
7 decker, would have about the same gross and net  
8 tonnage as an ore/oil carrier of the same dimensions.

9 MR. MUNDELL: Would that be a usual de-  
10 sign?

11 MR. LOWERY: Oh, yes; oh, yes. In designing  
12 a ship it is a question of trying to determine what  
13 type of trade your ship is likely to operate in  
14 most. If you make it a closed shelter decker in  
15 order to get increased draught the ship is a more  
16 expensive ship because the scantlings and decks  
17 have to be stronger in order to allow you to do  
18 that. If the owner wants large cubic capacity  
19 without great draught he can achieve his cubic  
20 capacity on the same dimensions; but if he were  
21 going into the grain or ore trade he would go into  
22 the open shelter decker because of the penalty  
23 you pay would be very, very little.

24 Vessel "E" cannot carry over 17,000 tons  
25 in fresh water in the Great Lakes, which is com-  
26 parative to the Thunder Bay class; but that  
27 same vessel in the winter can carry over 24,000  
28 tons at 31 feet 6 inch draught. I did this in  
29 order to make the ship longer because I get the  
30





1 effective depth of the ship to the top deck.

2 MR. MUNDELL: You have referred to the con-  
3 fidential memorandum. Is that the one which is being  
4 provided or is that one which has been provided?

5 MR. LOWERY: The other ones I have referred  
6 to were the ones given in at Montreal. We also  
7 have the make-up of these other columns, which have  
8 not been handed in yet.

9 THE CHAIRMAN: The blank columns in Exhibit  
10 200 are yet to be handed in?

11 MR. LOWERY: Yes.

12 MR. McLAGAN: We have them here.

13 COMMISSIONER BELANGER: The one we have is  
14 on the daily basis and the column here is the total.

15 MR. LOWERY: I felt this: To operate on  
16 a daily basis is quite difficult when you are  
17 dealing with a seasonal operation. We ourselves  
18 have found the best way to deal with it is to  
19 put the thing on a seasonal basis, the figures are  
20 much clearer. We have the contents of these columns  
21 to hand to you.

22 MR. MUNDELL: On page 2, Mr. Lowery,  
23 you say the Thunder Bay has steam machinery and  
24 oil-fired boilers; and the vessels you compare  
25 with it burn diesel oil?

26 MR. LOWERY: Yes.

27 MR. MUNDELL: Why would the Upper Lakers  
28 not go to diesels?

29 MR. LOWERY: They were not diesel vessels,  
30







1 they were built sometime ago.

2 MR. MUNDELL: As regards future vessels?

3 MR. LOWERY: I think they probably would.

4 At the present there is not sufficient diesel oil  
5 available in the Great Lakes - you can only buy it  
6 in 40-gallon drums. We have no diesel vessels at  
7 the present time. The modern diesel vessels are  
8 turbine.

9 THE CHAIRMAN: What do you mean, you can  
10 only buy diesel oil in 40-gallon drums; surely the  
11 Canadian National and Canadian Pacific do not buy  
12 it that way?

13 MR. LOWERY: I am talking about within the  
14 Great Lakes.

15 THE CHAIRMAN: As to buying it, as you put  
16 boats in.

17 MR. LOWERY: There are not the facilities.

18 THE CHAIRMAN: There are not the facilities  
19 but they would put the facilities in.

20 MR. LOWERY: They have not. That is one  
21 of the reasons we have not built diesels, there  
22 are not the facilities. One of the things which  
23 will come with the opening of the Seaway is the  
24 provision of such facilities. At the present  
25 time, however, if an operator says, "I would  
26 like to build a diesel ship, would you put in  
27 diesel facilities", it would be a very expensive  
28 proposition, the return would be very small for  
29 the investment necessary.  
30





1           Another point, as Mr. McLagan points out, if  
2 we had assumed the Upper Lake vessel were a diesel  
3 vessel we would possibly have reduced the fuel  
4 costs per day but we would have put up the other ex-  
5 penses because the initial capital cost of the ship  
6 would have been higher.

7           The reason we have not diesel ships at pre-  
8 sent is that there are not adequate diesel oil facili-  
9 ties on the Great Lakes. As a matter of fact,  
10 it is not very long ago that fuel oil facilities  
11 have been provided in Canada.

12           MR. MUNDELL: Would it be expensive to pro-  
13 vide such facilities?

14           MR. LOWERY: Well, I am not expert in that,  
15 except that, obviously, you would require storage  
16 tanks and piping systems, and all the rest of it.  
17 If you had, say, 100 ships using diesel oil the  
18 facilities would cost X dollars per ship, but if you  
19 only had one ship it would be somewhat expensive.  
20 I can only say what there is or is not; and at  
21 the present time there is not.

22           COMMISSIONER WICKWIRE: There are a large  
23 number of oil plants?

24           MR. LOWERY: Oh, yes.

25           COMMISSIONER WICKWIRE: Could they not  
26 go into the diesel oil distribution?  
27

28           MR. LOWERY: Oh, yes; if they would spend  
29 the money and build a plant.

30           As I say, the Thunder Bay and Sir James





1 Dunne were the first two Canadian Steamship Lines'  
2 vessels to burn oil and before we dared do it or  
3 before we could get a promise to provide oiling  
4 facilities we had to undertake a long-term contract  
5 to buy oil.

6 MR. MUNDELL: The only point I had in  
7 mind was why you made a comparison between two  
8 different types of propulsion.

9 MR. LOWERY: Because they are different.

10 MR. MUNDELL: In the future they may be the  
11 same?

12 MR. LOWERY: They may be the same in the  
13 future but they are different at the present time.  
14 We are comparing the Thunder Bay class as it is  
15 with deep-sea vessels as they are and as they  
16 would be.

17  
18 There are several bases of discussion as  
19 you get up to the bigger opposition vessels, where  
20 they have somewhere about 5,000 h.p. There  
21 would be a school of thought which might think  
22 they should be turbines, but generally speaking  
23 they would be diesels, I think. I do not know  
24 whether you think I have been taking the United  
25 Kingdom vessels and showing them at a disadvan-  
26 tage, Mr. Mundell. If you think that I do not  
27 think that is so because the diesel oil we have  
28 used is \$42 a ton, which is very expensive.

29 MR. MUNDELL: I cannot tell because I  
30 have not the figure.







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MR. LOWERY: I show that in my explanatory comments. Diesel oil is quite expensive on the Lakes. It is quite possible they would not pay \$42 a ton because they would not necessarily buy their oil in Canada.

MR. MUNDELL: On page 7 of your memorandum you refer to running times. For the Welland Canal you have 18 hours for delay. Is that the average time?

MR. LOWERY: The average lost time.

THE CHAIRMAN: Average lost time?

MR. LOWERY: That is two ways, 9 hours each way. It says here "the total voyage distance", the round trip time.

THE CHAIRMAN: I had forgotten the round trip. I never heard of 18 hours per trip in the Canal.

MR. McLAGAN: We had 22 one time this year.

THE CHAIRMAN: That is very unusual, I would say. Any time you get over 10 hours it would be most unusual.

MR. LOWERY: No, that would be most unusual if we got through in 8 hours.

MR. McLAGAN: Our average time so far is 12 hours each way this year.

THE CHAIRMAN: For the big boats, Mr. McLagan?

MR. McLAGAN: Yes, Mr. Chairman.

MR. LOWERY: That is to do 28 miles.





1 MR. MUNDELL: There have been a number of  
2 other estimates put before the Commission, Mr. Lowery,  
3 particularly by the Manitoba Government - I think  
4 it is Exhibit No. 187, that is the one I am thinking  
5 of. Have you any comments to make on other esti-  
6 mates in relation to yours?

7 MR. LOWERY: Yes, I did look at that.

8 THE CHAIRMAN: Gentlemen, before we go  
9 into that I think we will take a ten minute recess.

10 --- (A short recess)

11  
12 THE CHAIRMAN: Proceed, Mr. Lowery, please.

13 MR. LOWERY: Thank you, sir.

14 We had finished those analyses before we  
15 saw the submission of comparative costs produced  
16 by the Manitoba Transportation Commission and  
17 as soon as we saw what they had to say, it became  
18 quite evident either they were very far wrong  
19 or we were very far wrong because there were very  
20 few areas of agreement of the two submissions.  
21 I felt at the same time we ought to say some-  
22 thing about that submission in view of the fact  
23 it is dealing with a very similar set of cir-  
24 cumstance to what we have discussed this morning.

25 I would be very pleased to comment on  
26 their submission because I felt without it that  
27 there would be far more confusion than there  
28 would be if I did not make some comments.

29 MR. MUNDELL: I believe -- would it be  
30





1 correct to say that is Exhibit No. 187 to which  
2 you are referring?

3 MR. LOWERY: Yes. Some of the comments  
4 I have made, which were prepared in a hurry, are  
5 here. It may help you to understand what I am  
6 saying.

7 The submission of the Manitoba Transportation  
8 Commission is supposed to show the anticipated  
9 relative economics of carrying grain from the head  
10 of the Lakes to Montreal after the completion of  
11 the St. Lawrence Seaway (a) by Canadian-built and  
12 operated Upper Laker; (b) by U.K.-built and opera-  
13 ted cargo ship. The conclusion which the operators  
14 have drawn from their calculations is to the effect  
15 that the Canadian-built and operated Laker can  
16 easily carry grain at less cost than the U.K.-built  
17 and operated ocean-going vessel. They also show  
18 a composite voyage of an Upper Laker to Kingston  
19 and a canaller through to Montreal, but I propose  
20 to ignore that particular example in these few  
21 comments.

22 In the opinion of Canada Steamship Lines  
23 this submission is extremely misleading and danger-  
24 ously inaccurate. It does, however, highlight  
25 the complexity of the matter and also shows how  
26 necessary it is for such comparisons to be meti-  
27 culously accurate.

28 There is no place in such comparisons for  
29 guessed prices or for times of voyage to the nearest  
30







1 half-day in a 12-day operation.

2 Some of the figures in conclusions are com-  
3 mented upon in some detail hereafter.

4 1. Upper Laker.

5 It should be noted that the Upper Laker used  
6 in the comparison is bigger and faster than the  
7 "Thunder Bay" type, since it carries 700,000 bushels  
8 and will require an average sea speed of 15.8 m.p.h.  
9 to meet the schedule specified in their submission.

10 COMMISSIONER BELANGER: Q. Do you disagree  
11 with the 700,000 figure?

12 MR. LOWERY: A. No. They have chosen a  
13 different ship.

14 COMMISSIONER BELANGER: They have chosen  
15 the T.R. McLagan type.

16 MR. LOWERY: Virtually. I did not want the  
17 Commission to look at that figure and compare it  
18 to this because it is not the same ship. It is  
19 a bigger vessel. For the vessel they have  
20 chosen I think the price is about right and their  
21 total operating cost is about right, although I  
22 do have disagreements on the way down as to how  
23 they arrive at the total operating cost, but my  
24 major comments are on the ocean-going vessel.

25 No major disagreement is found with re-  
26 gard to the assumed present capital cost of such  
27 a new vessel or to the total operating cost for  
28 such a vessel in the Manitoba Transportation Com-  
29 mission's submission, although I do disagree with  
30





1 some of the components of operating cost; but  
2 since they have arrived at the same total answer  
3 as we have, I do not propose to argue with the maker.

4 On the other hand, the ocean vessel chosen  
5 for the comparison is a small vessel of only 8,900  
6 tons capacity.

7 The price used, even if the price is correct,  
8 is that for a  $16\frac{1}{2}$  knot vessel, the timetable that  
9 for a  $10\frac{1}{2}$  knot vessel, and the fuel consumption is  
10 that for about 13 knots, and despite its very small  
11 size only some 80% of its capacity has been used  
12 in the comparisons. They use 250,000 bushels,  
13 which I think is too small.

14 We see, therefore, that the comparison is  
15 entirely unrealistic since it compares the very  
16 best possible Canadian Upper Laker operating at  
17 maximum potential with almost the least suitable  
18 U.K. vessel operating at far below maximum efficiency.

19 Why anyone would assume that an 8,900 ton  
20 vessel would be a typical or principal type with  
21 which the Canadian operators would be competing is  
22 very hard to understand. In the last three  
23 months of 1954 and the first six months of 1955,  
24 128 tramp vessels were ordered and only 19 of  
25 them were less than 10,000 tons.

26 Despite the foregoing, however, an attempt  
27 will be made to compare the performance of a new  
28 U.K.-built and registered vessel of 8,900 tons  
29 deadweight with the new giant Upper Laker used  
30





1 by the Manitoba Transportation Commission;

2 Using Canada Steamship Lines' records and  
3 making the analysis in a similar fashion to that  
4 used by Canada Steamship Lines in their own economic  
5 analysis, we find that to do the round trip from  
6 the head of the Lakes to Montreal in 13 days, the  
7 Upper Laker would require a sea speed of about 15.8  
8 m.p.h. or 13.75 knots.

9 On the other hand, to do the round trip in  
10  $12\frac{1}{2}$  days by an 8,900-ton ocean vessel, using the  
11 same assumptions, a sea speed of only 13.2 m.p.h.  
12 or  $11\frac{1}{2}$  knots would be required if the vessel dis-  
13 charged at Montreal.

14 The reason for these differences is entirely  
15 due to the greatly increased loading and dis-  
16 charging times which must be allowed for by the  
17 Upper Laker.

18 If, however, as the Manitoba Transportation  
19 Commission analysis indicates, the ocean vessel  
20 is not discharged at Montreal, then a sea speed  
21 of only 12.10 m.p.h. or 10.5 knots would result in  
22 a  $12\frac{1}{2}$  day round trip time.

23 This speed is considered to be too slow  
24 for a modern vessel and it is, therefore, proposed  
25 to assume that the ocean-going vessel, with  
26 which we will do some figuring shortly, will have  
27 a sea speed of 14.4 m.p.h. or 12.5 knots.

28 This speed, taken in conjunction with the  
29 other time factors on the Canada Steamship Lines  
30









1 basis, will result in a round trip time of 12 days  
2 if the vessel discharges at Montreal, or  $11\frac{1}{2}$  days  
3 if she does not stop to discharge. If the vessel  
4 stops to "top up" at Montreal this time will be  
5 charged to her ocean operation. The average  
6 8,900-tonner, however, would not require to "top up".  
7 In other words, she would have a draught of about  
8 25'6" possibly in any case and she would not be  
9 able to load any deeper, so that the average 8,900-  
10 tonner would not require to top up.

11 The Manitoba Transportation Commission appears  
12 to have completely confused the price to be paid  
13 for a new vessel delivered in 1955 with the  
14 price quoted in 1955 for a vessel to be delivered  
15 two or more years hence.

16 In connection with the Shaw Saville vessels  
17 ordered from Germany, it should be remembered that  
18 they are  $16\frac{1}{2}$  knot cargo liners.

19 The British technical publication "Ship-  
20 building and Shipping Record" which, I may say, is  
21 one of the most authoritative magazines of its  
22 type anywhere in existence, points out in its  
23 June 23rd editorial that the estimated 15% dis-  
24 parity between U.K. and German building prices  
25 was obtained after covering for probable increase  
26 in price due to escalation before delivery. The  
27 editorial comes to the conclusion that "it would  
28 seem that there may be a disparity of perhaps  
29 5% between current building costs in the best  
30





1 yards in each country".

2 THE CHAIRMAN: That is Great Britain vs.  
3 Germany?

4 MR. LOWERY: I think I might perhaps point  
5 out the 15% which the owner quoted was taken by  
6 taking the German quote, adding  $3\frac{1}{2}\%$  to it, taking  
7 the British quote and assuming there would be 15  
8 or 18% on it and then arriving at a 15% difference,  
9 so he was talking about what he would have to pay  
10 for ships ultimately, whereas all our analyses are  
11 dealing with is what one receives a ship in 1955  
12 for.

13 The German quotations set a limit of  $3\frac{1}{2}\%$   
14 on escalation, and assuming that the U.K. prices are  
15 5% more than the German, and making allowance for  
16 the 4 knots slower speed required, we arrive at an  
17 approximate 1955 U.K. building price of \$2,150,000.

18 That is considerably different from their  
19 figure of something like \$3,480,000, which I think  
20 is completely erroneous.

21 I am sure that one can get a 8,900-ton  
22  $12\frac{1}{2}$  knot vessel in Britain for about \$2,000,000.  
23 At least, I do not think you would pay more  
24 than \$2,150,000, and if you take this capacity  
25 and you relate it to some of the costs which I  
26 have arrived at in the C.S.L. brief, I think you  
27 will find that the price stacks up pretty well  
28 with what a U.K. vessel would cost.

29 I believe that we can build a  $12\frac{1}{2}$  knot  
30





1 8,900-ton tramp in Canada for \$3,300,000 or  
2 \$3,400,000 or less than that probably, so that I  
3 feel they have very seriously over-estimated the  
4 price.

5 Full details of the Shaw Saville vessels  
6 are not known, but we need not consider them as  
7 "special" in any case.

8 Most 8,900 vessels would have a load draught  
9 of about 25'6" and should be able to carry 310,000  
10 bushels of grain.

11 In other words, I think we have to think  
12 of them as being a typical 8,900-ton ship now  
13 that they have thrown out the high-powered machin-  
14 ery and various other things.

15 It is admitted that the much larger vessel  
16 "C" in the Canada Steamship Lines' analysis  
17 will only carry 350,000 bushels at 25'6" fresh  
18 water, but it must be remembered that this vessel,  
19 that is the C.S.L. vessel, could "top up" at  
20 Montreal and operate during the whole winter with  
21 about 600,000 bushels on her maximum draught of  
22 30'8".

23 The vessel the Manitoba Transportation  
24 Commission are dealing with is a ship which would  
25 have about 25'6" draught if it was a normal  
26 8,900-tonner.

27 We disagree with the price of fuel shown,  
28 and with the quantities.

29 The Shaw Saville ships are diesels, the  
30







1 quality estimated appears to be for steam, the  
2 rate of \$16.93 does in any case not apply as fuel  
3 oil on the Lakes is about \$21 per ton and diesel  
4 oil about \$42 per ton. We believe this vessel  
5 will burn an average of  $9\frac{1}{2}$  tons of diesel oil per  
6 day at \$42 per ton or \$398 per day for fuel.

7 We have taken this ship and put it through  
8 the same sort of arithmetic as we did for the  
9 other vessels, and taking the running times, slow  
10 and fast, so I believe that would be a pretty  
11 close figure for all these fuel costs, and that  
12 is not, of course, \$398. per day running at  
13 full power, that is over the season.

14 The figures we have used are taken from  
15 our Economic Analysis Vessel "C". And we have  
16 used our own operating experience for these  
17 figures, and we see no reason why their costs  
18 should be more operating on the Lakes for this  
19 item than what our own are; so we have used figures  
20 from our own records.

21 We do not agree with the Manitoba Trans-  
22 portation Commission's figures for subsistence  
23 or for Daily Stores, Maintenance and Repairs.

24 I may say the Manitoba Transportation Com-  
25 mission detailed how they made up their wage  
26 bill. I can actually give the Commission details  
27 of how we have made up ours if you so desire.  
28 They are made up on almost precisely the same  
29 basis, but the Manitoba Transportation Commission  
30





1 has estimated this 8,900-ton ship would have 42  
2 of a crew whereas we have worked on 36. That  
3 is about the only difference actually in their  
4 wage claims. Our wage bill is computed from  
5 data supplied to the Commission by the General  
6 Council of British Ships.

7 We believe comparisons which make no  
8 allowance for interest charged as cost are not  
9 realistic since we feel it is very necessary to  
10 make allowances for this.

11 For this reason we have assumed interest  
12 charges of  $2\frac{1}{2}\%$  in the following table which shows  
13 Canada Steamship Lines' opinion of the probable  
14 relative economics of the U.K. ocean-going 8,900-  
15 tonner and the Canadian Upper Laker.

16 On the next page we have made two columns.  
17 The first column is taken directly from the  
18 Manitoba Transportation Commission's submission,  
19 except that I have added in an interest charge  
20 as item 12 where they do not have it, and in the  
21 second column I have shown what our opinion is of  
22 what an 8,900-ton ship costs would be carrying  
23 310,000 bushels with a capital cost of \$2,150,000  
24 and making an average sea speed of  $12\frac{1}{2}$  knots;  
25 and the round trip would take 12 days if the  
26 ship stopped and discharged cargo at Montreal,  
27 and which would take about  $11\frac{1}{2}$  days if it went  
28 straight past Montreal, which was the assumption  
29 made by the Manitoba Transportation Commission.  
30





1           The daily operating cost.   The daily im-  
2       puted capital cost is reduced from 642 to 404  
3       because of the difference between their first esti-  
4       mate of \$3,440,000 as against our first cost  
5       estimate of \$2,150,000.

6           The daily fuel cost, we estimate, would be  
7       about 10% less than their figure.

8           The difference between their total daily  
9       wage cost and the daily imputed and leave-with-  
10      pay, we have a difference of about \$27 per day,  
11      which is almost entirely accounted for by the  
12      fact they have 6 more crew on the vessel.

13          On daily subsistence, we do not see any  
14      reason why they should take \$3 per day to feed a  
15      man when other people can get it for less, so I  
16      have put in what we think is a reasonable  
17      figure.

18          We feel there is no reason why their daily  
19      stores, maintenance and repairs should cost more  
20      than our experience, so we put in the same figure  
21      for that as we have used for our vessel "C".  
22      Although it is a bigger vessel I have used pre-  
23      cisely the same rates per day as for our vessel  
24      "C".

25          I have added interest at  $2\frac{1}{2}\%$ .

26          Then dealing with the comparative economics  
27      on the next page, we have an Upper Laker from  
28      the head of the Lakes to Montreal, cargo 1 trip,  
29      700,000 bushels, round trip time to take 13 days;  
30









1 daily operating cost, excluding interest, \$2,471.

2 Daily operating cost, including interest, \$3,069.

3 MR. MUNDELL: Just for the sake of the  
4 record, so it will be intelligible, I think we  
5 should make these two pages an exhibit. I think  
6 they should go in as exhibits, otherwise to any-  
7 body reading the transcript, it will appear rather  
8 unintelligible. That is two pages entitled  
9 "Comparison of Operating Costs C.S.L. Estimate  
10 vs. Manitoba Transportation Commission and Compara-  
11 tive Economics Using C.S.L. Estimates". Those  
12 two pages will be marked as Exhibit 205.

13 They are pages 5 and 6 in your memorandum  
14 and I think that we can lift out those two pages  
15 and mark them as one exhibit.

16 ---EXHIBIT NO. 205: 2 Sheets above referred to.

17 MR. LOWERY: I have not dealt with it in  
18 great length. I just estimated their operating  
19 cost with added interest charges. I have then  
20 worked out the cost per bushel excluding inter-  
21 est and the cost per bushel including interest,  
22 and I have allowed a Seaway toll of 1¢ per bushel,  
23 and if I read the Manitoba Transportation Com-  
24 mission's submission correctly, I think they have  
25 made an arithmetical error in there where they  
26 estimate  $\frac{1}{2}$ ¢ per bushel because they say, "toll  
27 charges through Seaway. These have not yet  
28 been fixed but the probable range will be 25 to  
29 35¢ per short ton of grain. For present purposes,  
30 an average of 30¢ a short ton is assumed" which





COMPARISON OF OPERATING COSTS  
C.S.L. ESTIMATE VERSUS MANITOBA TRANSPORTATION COMMISSION

OCEAN GOING VESSEL

(Same Vessel)

Manitoba Transportation  
Commission -  
Head of Lakes to Montreal  
  
Canada Steamship Lines  
Head of Lakes to  
Montreal

250,000 bushels 1955  
U.K. Cost \$3,440,000.  
(for 16-1/2 knot ship)  
Speed used 10.5 knots  
Round trip 12-1/2 days

310,000 bushels 1955  
U.K. cost \$2,150,000.  
(for 12-1/2 knot ship)  
Speed used 12-1/2 knots  
Round trip 12 days  
(Discharge at Montreal)  
11.5 days through Mtl.

ANNUAL CAPITAL COSTS

- (2) Annual Depreciation
- (3) Annual Insurance 1-1/4%
- (4) Total

\$  
172,000  
43,000  
215,000

\$  
107,500  
26,875  
134,375

(cont'd)



DAILY OPERATING COST

(5) Daily imputed capital cost	642	404
(6) Daily fuel cost	440	398
(7) Daily wage cost	162	167
(8) Daily imputed and leave with pay	32	
(9) Daily subsistence	92	64
(10) Daily Stores, Maintenance & Repairs	280	248
(11) Total daily operating cost ex interest	<u>1648</u>	<u>1281</u>

(12) Interest at 2-1/2%	256	161
(13) Total daily operating cost inc. interest	<u>1904</u>	<u>1442</u>

UPPER LAKE VESSEL

(11) Total Daily operating cost ex interest	2471	(per Manitoba Transportation Com-
(12) Interest at 2-1/2%	<u>598</u>	mission but agreed to by C.S.I.L.)
(13) Total daily operating cost inc. interest	<u>3069</u>	

-----







COMPARATIVE ECONOMICS (using C.S.L. estimates)

Upper Laker

Head of Lakes to Montreal  
Cargo 1 trip  
Round trip time

700,000 bushels  
13 days

Daily operating cost ex interest  
Daily operating cost including interest

\$2471.  
3069.

Cost per bushel ex interest

$$\frac{2471 \times 13}{700,000} =$$

4.59 cents

Seaway toll 1¢ per bus.

1.00 "

Total cost per bushel ex interest

5.59 "

Cost per bushel inc. interest

$$\frac{3069 \times 13}{700,000} =$$

5.71 cents

Seaway toll 1¢ per bus.

1.00 "

Total cost per bushel inc. interest

6.71 "

Montreal elevation and handling cost (per Manitoba Trans. Comm.)

1.50

Total operating cost Upper Laker including interest and Montreal handling expenses

8.21 cents per bus.



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Ocean Vessel

Head of Lakes to Montreal  
Cargo 1 trip  
Round Trip time

310,000 bushels  
12 days disch. MtL.  
11.5 " through "

Daily operating cost ex interest  
Daily operating cost including interest

\$1281.  
1442.

Cost per bushel ex interest

$$\frac{1281 \times 12}{310,000} =$$

Stopping Through  
4.97 cents 4.76

Seaway toll 1¢ per bus.

Total cost per bushel ex interest

Cost per bushel including interest

$$\frac{1442 \times 12}{310,000} =$$

Seaway toll 1¢ per bus.

Total cost ocean vessel per bushel including interest

6.59 " 6.36

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1 equals  $\frac{1}{2}\phi$  per bushel.

2 Well, that is really  $1\phi$  per bushel.

3 On my page 6 I see that we have an error in  
4 there, and we have called the Seaway toll  $1\phi$  per  
5 ton where we mean  $1\phi$  per bushel. All down that  
6 column I have written it as cents per ton rather  
7 than cents per bushel. I have assumed in all  
8 these calculations a Seaway toll of  $1\phi$  per bushel  
9 and I have used the Montreal elevation and handling  
10 costs. Using the M.T.C. figure I arrive at a  
11 figure of  $8.21\phi$  per bushel including interest and  
12 Montreal handling expenses, which is slightly up  
13 from theirs principally due to that  $1\phi$  vs.  $\frac{1}{2}\phi$ .

14 Then on the ocean vessel a ship would  
15 take 310,000 bushels, the round trip time would  
16 be 12 days if it stopped at Montreal, or  $11\frac{1}{2}$  days  
17 if it went through Montreal. The daily operating  
18 cost, excluding interest, would be \$1,281 and  
19 the daily operating cost, including interest,  
20 would be \$1,442.

21 If you take the last two lines, "the cost  
22 per bushel including interest" would be  $5.59\phi$   
23 if the vessel stopped at Montreal, or  $5.36\phi$  if  
24 it went through, and a Seaway toll of  $1\phi$  per bush-  
25 el gives us a total cost for an ocean vessel per  
26 bushel, including interest, assuming the vessel  
27 sailed past Montreal, of  $6.36\phi$  per bushel  
28 compared with the Upper Laker's figure of  $8.21\phi$   
29 per bushel, this being a difference of  $1.85\phi$ .  
30







1           If we assume that the ship stops at Montreal  
2 we would have 8.09¢ per bushel including the Mont-  
3 real elevation and handling charges for the ocean  
4 vessel against the Upper Laker's 8.21¢ per bushel.

5           From the foregoing it can be seen that the  
6 U.K.-built and operated vessel, although it is  
7 far too small and quite unsuitable for the busi-  
8 ness, can actually carry wheat to Montreal at a  
9 slightly less rate than the Upper Laker, even if  
10 we assume that the U.K. vessel is turning around  
11 at Montreal.

12           Larger and more suitable U.K. vessels  
13 would have a substantial advantage, as indicated  
14 in C.S.L. analysis, in addition to which the lar-  
15 ger vessels would be able to earn at a greater  
16 rate during the winter months due to the fact  
17 that they could operate at much greater draught.

18           If, however, we do as the Manitoba Trans-  
19 portation Commission has done and assume that the  
20 U.K. vessel does not stop at Montreal, then it  
21 shows 1.85¢ per bushel advantage over the Canadian  
22 Upper Laker.

23           At all times it must be remembered that  
24 the U.K. vessels will have winter earnings, where-  
25 as the Upper Lakers will have none.

26           MR. MUNDELL:     On that last point, Mr.  
27 Lowery, did you take into account the earnings  
28 in connection with storage of wheat?

29           MR. LOWERY:     No.  
30





1 MR. MUNDELL: That would be a small factor,  
2 I take it. That would affect your calculations.

3 MR. LOWERY: It could be, yes, sir.

4 MR. MUNDELL: It would be a fair comment  
5 to say there are earnings on the average every year  
6 from storage?

7 MR. LOWERY: I would think there are some,  
8 yes, every year.

9 THE CHAIRMAN: Some. Are not all boats  
10 in the last several years -- all the boats engaged  
11 in the carriage of grain -- used as winter storage?

12 MR. LOWERY: No.

13 THE CHAIRMAN: Due to the difficulty of  
14 getting rid of wheat.

15 MR. LOWERY: Oh, no. Last year we tore  
16 the inside out of a ship and put a new inside in,  
17 so that was one that was not available. Even  
18 though the grain is available your ship is not al-  
19 ways available and you cannot always afford to  
20 lay that ship up free for that purpose.

21 MR. MUNDELL: That would be true, I  
22 suppose, of ocean-going vessels, too?

23 MR. LOWERY: I have said in winter, the  
24 time they would use for dry docking would be deduc-  
25 ted from their winter earnings.

26 MR. MUNDELL: You did not allow for  
27 that. You did not allow for whatever earnings  
28 you may get by way of storage of grain?

29 MR. LOWERY: No.  
30





1 MR. McLAGAN: We can send what we earn.  
2 We will send what those earnings are. It is very  
3 small.

4 MR. LOWERY: It doesn't make much difference.  
5 In the year's operation it will be very small; we  
6 can certainly give you some information of what  
7 it is.

8 MR. MUNDELL: I think it would be helpful.

9 MR. LOWERY: We have not done so because  
10 it will not seriously affect the result.

11 MR. MUNDELL: The vessel you have chosen  
12 for comparison was the "Thunder Bay".

13 MR. LOWERY: You mean in the C.S.L. analy-  
14 sis?

15 MR. MUNDELL: Yes.

16 MR. LOWERY: Yes.

17 MR. MUNDELL: I have forgotten the differ-  
18 ence in tonnage between the Thunder Bay and the  
19 T.R. McLagan, but what is the difference in bushels?

20 MR. LOWERY: I am quoting from memory. I  
21 think the T.R. McLagan is somewhere around 720,000  
22 or 725,000 bushels.

23 MR. MUNDELL: Would the Manitoba Trans-  
24 portation figures be a fair comparison as far as  
25 the McLagan was concerned?

26 MR. LOWERY: Not too far wrong. The  
27 McLagan is probably a little bit faster and may be  
28 a little bit bigger. This is getting up to  
29 the T.R. McLagan size, yes.  
30







1 MR. MUNDELL: Would it be possible to let  
2 the Commission have, on the same confidential basis  
3 as the Thunder Bay information has been given, the  
4 same information in relation to the T.R. McLagan?

5 MR. LOWERY: You have it already.

6 MR. MUNDELL: On the same basis of computa-  
7 tion.

8 MR. McLAGAN: We have not got it for 1955,  
9 the capital cost, that is all.

10 COMMISSIONER BELANGER: You have not it  
11 exactly on the same basis?

12 MR. MUNDELL: You have not it on the same  
13 method.

14 MR. LOWERY: We could give that, yes.

15 MR. MUNDELL: Referring to the vessels in  
16 "C", "D", "E", "F" and "G" in your comparative  
17 statements, are there any vessels of each of these  
18 classes now sailing the ocean?

19 MR. LOWERY: Many vessels like vessel "C",  
20 a few like vessel "D". I do not know of any of  
21 vessel "E". Many like vessels "F" and "G".

22 THE CHAIRMAN: I did not hear that  
23 correctly.

24 MR. LOWERY: Many vessels like vessel "C".  
25 A fair number like vessel "D". I am not aware  
26 at the moment of any like vessel "E". There  
27 are many vessels like both "F" and "G" either in  
28 service or under construction.

29 There has been -- the past few years has  
30





1 shown considerable increases in size and capacity  
2 of ships, and the overseas ore trade has, just the  
3 last few years, received great impetus and a great  
4 many of these vessels <sup>are</sup> under construction at the  
5 moment.

6 The only ship which is not really typical  
7 or common that I know of is vessel "E", but it is  
8 the type which I think may well become typical.

9 COMMISSIONER WICKWIRE: Mr. Lowery, the  
10 sections illustrated on vessels "E", "F" and "G" ---

11 MR. LOWERY: Yes?

12 COMMISSIONER WICKWIRE: --- look to me to  
13 be very flat-bottomed for ocean-going purposes.  
14 Would you comment on that?

15 MR. LOWERY: All ocean-going vessels have  
16 flat bottoms, sir.

17 COMMISSIONER WICKWIRE: Is there any differ-  
18 ence in the illustration between that type of  
19 bottom and the type, for instance, on the Thunder  
20 Bay or the McLagan?

21 MR. LOWERY: None.

22 COMMISSIONER WICKWIRE: They are all the  
23 same?

24 MR. LOWERY: Yes. They are the same in  
25 practice. The average ocean-going vessel from  
26 keel to bilge may rise about 9 inches but very  
27 little more than that. It is one of the changes  
28 that has taken place in ship design in recent  
29 years; the old idea was making them like this.  
30





1 COMMISSIONER WICKWIRE: There is more con-  
2 tour on the older type.

3 MR. LOWERY: Yes, but there is not on the  
4 modern type of vessel.

5 THE CHAIRMAN: I see the last three, "E",  
6 "F" and "G", are 73 feet beam.

7 MR. LOWERY: Yes.

8 THE CHAIRMAN: You would have to be fairly  
9 skilled to get a 73' beam in and out of the locks,  
10 would you not?

11 MR. LOWERY: I don't think so. We have  
12 75' ships now, two of them on the Lakes. Our own  
13 McLagan is 70'. The Scott Misener has a 72' beam.

14 THE CHAIRMAN: Yes, but what of the 75?  
15 What are they?

16 MR. LOWERY: The George M. Humphrey.

17 MR. McLAGAN: New this year.

18 THE CHAIRMAN: Where does it go?

19 MR. LOWERY: It is going -- at the moment  
20 it goes from the head of the Lakes down to the Soo  
21 Canal to Lake Erie. Ultimately it is designed  
22 to go right through the new system to Seven Islands  
23 and Scott Misener, I think, has two of these big  
24 ships of 72' beam.

25 MR. McLAGAN: One.

26 MR. LOWERY: Only one is 72.

27 THE CHAIRMAN: The Scott Misener is the  
28 widest going through the Welland Canal today.

29 MR. LOWERY: Yes.  
30







1 THE CHAIRMAN: What of the Soo Canals?  
2 Firstly, are they just 80 feet?

3 MR. LOWERY: Yes.

4 THE CHAIRMAN: Including the big McArthur  
5 Locks, is it only 80 feet?

6 MR. LOWERY: Yes, sir. I may say one of the  
7 reasons why we have used 73' is because we came to  
8 this conclusion long before the Commission was  
9 ever thought of -- I would not say thought of, but  
10 before the Commission was formed back in 1952.  
11 I think that when we ourselves were thinking of  
12 the sort of ships that we would be thinking of, if  
13 we were going into both phases, this was the dimen-  
14 sion we had decided. We showed our design of  
15 the ship in Montreal. That was the dimension we  
16 arrived at at that time as being the dimension we  
17 felt we could ---

18 THE CHAIRMAN: That just leaves you 3  
19 feet at each side as you go into the locks.

20 MR. LOWERY: Yes.

21 COMMISSIONER BELANGER: In your discussion  
22 about the Manitoba figures, you used here 310,000  
23 bushels. They used 250,000 for the same ships.

24 MR. LOWERY: Yes.

25 COMMISSIONER BELANGER: For exactly the  
26 same ship, about a 9,000-tonner.

27 MR. LOWERY: Yes.

28 COMMISSIONER BELANGER: Can you explain  
29 again why you used 310,000 bushels?  
30





1 MR. LOWERY: Well, I don't know where they  
2 got the 250,000 bushels from, but the average 8,000  
3 or 9,000-ton ship would have a draught of about  
4 25'6 and would have enough capacity to take grain  
5 to load her down to that draught, and 310,000 bushels  
6 weighs somewhere about 8,200 tons; so I thought  
7 she would take 310,000 bushels of grain aboard.

8 THE CHAIRMAN: It is just 10/8ths of the  
9 estimate made by the Manitoba Transportation Com-  
10 mission. You say it is just 80% loaded.

11 MR. LOWERY: No. I arrived at my 80% figure  
12 after I decided it should be 310; I said they have  
13 not used the full capacity of the vessel. I do  
14 not know why they did not, but almost any 9,000-  
15 ton vessel would have space within it to carry  
16 310,000 bushels. 310,000 bushels in a vessel  
17 would leave enough spare deadweight for fuel and  
18 stores to give 8,900-ton.

19 THE CHAIRMAN: It would have to be a modern  
20 ship. Some of the tramps coming into Montreal  
21 would not carry it now.

22 MR. LOWERY: A large number of them would  
23 have because they are very fully formed vessels.  
24 I would think they would be able to. The aver-  
25 age tramp has such a capacity but it would not be  
26 full of grain when it gets down to its marks.

27 COMMISSIONER BELANGER: How about the  
28 Canadian "Park" ship. It is a 10,000-tonner.

29 MR. LOWERY: I think -- I am quoting from  
30





1 memory now. I think we came to the conclusion  
2 these ships could carry about 320,000 bushels at  
3 25'6 but as the size of the ship gets bigger, you  
4 cannot carry very much more at 25'6 draught.

5 As I say, our vessel "C", which is actually  
6 a 12,700-ton vessel, can only carry 350,00 bushels  
7 at 25'6 draught.

8 I think an 8,900-ton ship would have enough  
9 space for 310,000 bushels. 310,000 bushels is,  
10 from memory, somewhere around 8,200 tons, so I  
11 think 700 tons for fuel, stores and other items  
12 would be adequate.

13 COMMISSIONER BELANGER: This is very impor-  
14 tant because in your cost per bushel most of the  
15 difference is due to the difference between 250,000  
16 and 310,000.

17 MR. LOWERY: Certainly. Well, it is quite  
18 easy to calculate the weight of 310,000 bushels.  
19 Mr. McLagan tells me it is 8,200 tons, which is  
20 what I figured. I am sure an 8,900-ton vessel  
21 modern ship would have capacity for 310,000 bushels.

22 MR. McLAGAN: My slide rule says 8,200  
23 tons.

24 MR. LOWERY: That is about right. I think  
25 my figure was a little more than that.

26 THE CHAIRMAN: Have you anything more,  
27 Mr. Mundell?

28 MR. MUNDELL: I do not think I have any-  
29 thing more at this stage.  
30







1                   COMMISSIONER BELANGER:    You do not have the  
2 slightest idea why they used the 250,000 figure?

3                   MR. LOWERY:   No.   They did not explain that.  
4 The evidence available for the 8,900-ton ship is  
5 very -- the only thing that has put the 8,900-ton  
6 ship on the map at all is the owner saying he can  
7 get it for 15% cheaper in Germany than he can buy  
8 it in Britain.   That is the only reason it is  
9 referred to at all in the technical journals, but  
10 I have not been able to find actual data for  
11 that specific ship since I abandoned that speci-  
12 fic ship earlier, but because it was a 16½ knot  
13 vessel, I have to speak about the average 8,900-  
14 ton vessel.   There are hundreds of them that draw  
15 about 25'6, which you can get in Britain for  
16 \$2,150,000.

17                   THE CHAIRMAN:    Their deep-sea draught is  
18 much more.

19                   MR. LOWERY:    No, sir.   Their deep-sea  
20 draught would be the same because they are smaller  
21 ships and this draught of 25'6 would be just  
22 about their maximum draught.

23                   THE CHAIRMAN:    These ships, you say,  
24 carry about 300,000 or a little better than  
25 300,000 bushels.

26                   MR. LOWERY:    Yes, sir.   There is no  
27 point in having a ship of 9,000-ton total dead-  
28 weight.   You want 600 tons for fuel oil, leaving  
29 about 8,400 tons.   You give the ship a capacity  
30





1 to carry that weight of grain which comes out at  
2 310,000 or 320,000 bushels. That is the process  
3 of design.

4 THE CHAIRMAN: Well, are there further  
5 comments?

6 MR. MUNDELL: No more that I have, Mr.  
7 Chairman.

8 MR. McLAGAN: Mr. Chairman, we have two  
9 representatives of shipbuilding here, from Canadian  
10 Vickers and Sorel Industries, and they have made  
11 calculations of reasons for differences in the  
12 cost between Britain and here on one of these ships  
13 that has been mentioned, a 10,000-ton ship and a  
14 9,100-ton ship. We would hope to hear from them.

15 THE CHAIRMAN: Yes, we can hear them now.

16 DR. E.C. HOPE: Mr. E.C. Hope, Canadian  
17 Federation of Agriculture. Mr. Chairman, may I  
18 just ask one question?

19 THE CHAIRMAN: Yes.

20 DR. HOPE: As I understand it, ships of  
21 different types designed to be an ore carrier and  
22 grain carrier would in time go out of the Great  
23 Lakes and engage in deep-sea water. I under-  
24 stand it was to be a bulk trader in the ore trade  
25 in the wintertime. Is that correct?

26 MR. LOWERY: One of them can be a bulk  
27 carrier in the ore trade in the wintertime. The  
28 other can be a bulk carrier in either oil or ore  
29 trade in the wintertime.  
30





1 DR. HOPE: Your groups, where would they  
2 operate in the wintertime; in the bulk or ore carry-  
3 ing business?

4 MR. LOWERY: They could operate from Liberia,  
5 Venezuela, Sweden. There are a vast number of  
6 places they could operate from.

7 DR. HOPE: In other words, this would serve  
8 to increase the competition presumably for three  
9 months out of the year. There would be ships  
10 engaged in that operation.

11 MR. LOWERY: Yes. Fundamentally the point  
12 you are raising is most important in considering  
13 the efficient carriage of bulk commodities in the  
14 future, and it is one of the reasons for the com-  
15 bined vessel, but the release of vessels ultimately  
16 from the St. Lawrence will have a significant  
17 effect on the carriage of ore from places like  
18 Venezuela.

19 All that is necessary is for the shore facili-  
20 ties to be built to take the ore and load the ore  
21 at a greater rate during the winter months than  
22 they can during the summer months.

23 Supposing one requires 100,000,000 tons  
24 of ore a year. Then they have to absorb it at  
25 a slower rate during the summer months and at a  
26 faster rate during the winter months and get their  
27 100,000,000 tons at a cheaper rate than if they  
28 had attempted to take it in at a steady rate,  
29 and anything I can read about the movement of  
30







1 such bulk commodities has evidently taken into  
2 account that type of thinking.

3 DR. HOPE: There are fleets today operating  
4 between Venezuela and the United States, for example.

5 MR. LOWERY: Oh, yes, there is a 64,000-ton  
6 ship being built ---

7 DR. HOPE: A 64,000-ton ore carrier?

8 MR. LOWERY: It is the largest ore carrier  
9 in the world, can carry ore from Venezuela to the  
10 United States, and ships which are also operating  
11 from Seven Islands to Baltimore in the winter can  
12 come down in the summer -- in fact, are coming down  
13 to bring ore from Venezuela in the summer. Then  
14 there are vast ore deposits across on the West Coast  
15 of South Africa which are opening up every month.  
16 There is more of it coming out and the whole idea  
17 of the major steel consumers is to get the world  
18 fleet so that they can make use of this reservoir  
19 which comes available from other sections where,  
20 for example, ore from Seven Islands -- you may not  
21 be able to take ore from Seven Islands in the  
22 winter and these ships will go down and operate  
23 from these other places.

24 DR. HOPE: This 64,000-tonner, is she a  
25 United States ship?

26 MR. LOWERY: No, it is possibly Pamanian  
27 or Liberian registry or some other.

28 DR. HOPE: They operate at a very low  
29 profit.  
30





1 MR. LOWERY: Yes.

2 THE CHAIRMAN: Built in Japan?

3 MR. LOWERY: Yes. The 64,000-tonner will  
4 carry ore much cheaper than any other vessel in  
5 the world because of its vast size.

6 THE CHAIRMAN: Built in Japan?

7 MR. LOWERY: Yes.

8 THE CHAIRMAN: Proceed, Mr. McLagan.

9 MR. McLAGAN: Can we hear Mr. Peck now?

10 THE CHAIRMAN: Yes.

11

12 ADDITIONAL SUBMISSION BY CANADIAN VICKERS LTD.

13 ---Mr. J.A.S. Peck appearing.

14

15 MR. MUNDELL: Can you give your full name?

16 MR. PECK: J.A.S. Peck.

17 MR. MUNDELL: And your occupation.

18 MR. PECK: I am Assistant to the General  
19 Manager of Canadian Vickers.

20 Mr. Chairman, I have been asked to present  
21 this note on the difference of cost between Canad-  
22 ian and British shipyards on behalf of the Canadian  
23 Shipbuilding and Ship Repairing Association.

24 In considering the difference in the cost  
25 of building a vessel in Canadian yards vs. British  
26 yards, it will be realized that the British ship-  
27 builder does not readily divulge his cost  
28 estimate, and that it is also difficult to obtain  
29 a British price with sufficient data as to the  
30





1 price specification requirements.

2 The present study has used as a basis an  
3 article in the July 6th issue of a British trade  
4 magazine -- "The Shipping World" -- a copy of which  
5 is attached hereto.

6 MR. MUNDELL: This article was Exhibit 204.

7 MR. LOWERY: Yes, that is an exhibit.

8 MR. PECK: The article is attached to the  
9 notes.

10 MR. McLAGAN: That has already been filed  
11 as Exhibit 204.

12 THE CHAIRMAN: Yes, that is the same article  
13 as 204.

14 MR. MUNDELL: Should that attached sheet  
15 be put in as an exhibit?

16 MR. PECK: Really the whole of these notes  
17 should go in.

18 MR. MUNDELL: I am sorry to interrupt. I  
19 just wanted to keep the record intelligible. This  
20 summary of additional cost in a Canadian shipyard  
21 vs. U.K. yard with a series of tables and state-  
22 ments should be marked as Exhibit 206.

23  
24 ---EXHIBIT NO. 206: Summary of additional cost  
25 in Canadian shipyard vs.  
26 U.K. yard.

27 (see page 5041 for summary)  
28  
29  
30







Summary of additional cost in a Canadian shipyard  
versus U.K. Yard

<u>GROUP</u>	<u>ITEM</u>	<u>MATERIAL</u>	<u>LABOUR</u>
1	Steelwork	\$ 74,600.	\$ 256,000.
2 & 3	Outfitting	57,800.	235,000.
4	Machinery	135,200.	<u>67,000.</u>
	Total labour		558,000.
5	Overhead at 26.7% of direct labour	<u>          </u>	149,000.
	Material	267,600	<u>267,600.</u>
	Total additional cost		974,600.
	Profit at the assumed British rate	10% <u>          </u>	<u>97,460.</u>
			\$1,072,060.

MR. PECK: This article, which is self-explanatory, is used by that magazine as a comparison for changes in British shipbuilding costs at six-monthly intervals. Taking the information available from the article and applying to the best of our knowledge the corrections necessary to take care of the difference in Canadian and U.K. wages, steel and equipment prices and assuming that the same percentage of direct labour cost is necessary to cover Canadian establishment charges, we have arrived at the conclusion that, on the basis of equal shipyard efficiency, the same type of ship as used in the article should cost at least 50% more if built in a Canadian yard.





1           The summary of the difference in prices is  
2 set out on the attached sheet and also included are  
3 explanations of how the individual figures have  
4 been arrived at.

5           For the purposes of the detailed study we  
6 have used an average labour rate for the U.K. ship-  
7 yard of \$.605 per hour (see Page 61 of Canadian  
8 Shipbuilding and Ship Repairing Association's  
9 brief), an average labour rate for the Canadian  
10 shipyard of \$1.50 per hour and an exchange rate of  
11 \$2.80 to the pound sterling. We have also assumed  
12 equal efficiency and the same rate of profit.

13           It will be readily understood that conditions  
14 vary throughout Canada, but it is felt that the  
15 figures quoted here are typical for Eastern Canadian  
16 yards.

17           Although Steam Reciprocating and Turbine  
18 Engines are built in Canada, no Canadian shipyard  
19 has in the past eight years built a marine diesel  
20 engine of the same general type as that utilised  
21 in this vessel, consequently a similar engine to  
22 be put in a Canadian-built vessel would be impor-  
23 ted either from the U.K. or from the United States.  
24 For the purposes of this comparison, the main  
25 engine is assumed to be imported from the U.K.

26           Groups 2 and 3 in the article are insuf-  
27 ficiently defined and consequently have been  
28 treated together.

29           It is felt that the true difference in  
30





1 cost is somewhat greater than is indicated above,  
2 as in many cases for delivery reasons it is neces-  
3 sary to purchase in Canada or the U.S. materials  
4 which, if delivery time were of no importance,  
5 could be obtained from a cheaper market. However,  
6 as under the present conditions the shorter delivery  
7 of a ship from a Canadian Shipyard is the princi-  
8 pal inducement to a prospective purchaser to  
9 build in Canada, this factor is of considerable  
10 significance. As an alternative approach to this  
11 problem two Association member shipyards have made  
12 independent estimates of the approximate present-  
13 day Canadian price of the vessel under considera-  
14 tion. With the somewhat limited information on  
15 the vessel given in the article the two indepen-  
16 dent estimates range from \$3,250,000 to \$3,350,000  
17 or from 54½% to 59½% more than the indicated  
18 British figure.  
19

20 That is a general statement of the con-  
21 clusions that we have arrived at. I do not know  
22 whether you would like me to go through all the  
23 details of the calculation. It may be easier for  
24 you to follow me if I do that.

25 THE CHAIRMAN: I think you should, at  
26 any rate, give us some summary.

27 MR. PECK: Yes. I would prefer to miss  
28 the summary for the moment and just take the next  
29 page, which is headed Group 1, Mr. Chairman.

30 MR. MUNDELL: And which is in Exhibit 206.







MR. PECK: Yes.

STEELWORK

Material

The base price of British steel plates to a British Shipyard is £33-1-6/long ton f.o.b. mill, which is equivalent to 4.13¢ per lb.

The base price of Canadian steel is \$5.14/100 lb. f.o.b. Montreal, which is equivalent to 5.14¢ per lb.

The difference in cost is, therefore 1.01¢ per lb.

or 24½%

On the total of 3300 tons of steel mentioned in the article the extra cost is -

$$\frac{3300 \times 2240 \times 1.01}{100} = \underline{\underline{\$74,600.}}$$

N.B. It will be noted that the price of British steel is quoted f.o.b. mill while the Canadian is quoted f.o.b. Montreal. This has been done because the average British shipyard is relatively close to the steel mill while for the average Eastern Canadian shipyard Montreal may be taken as a reasonably central point.

Labour.

The British cost for working 3300 tons of steel is £61,810.

Assuming the average labour rates as above, this is equivalent to 
$$\frac{\underline{\underline{£61,810}} \times 2.80}{605} = 286,000 \text{ manhours}$$
 i.e., 86.6 per long ton of steel.

The additional labour rate per hour for Canadian versus British is \$1.50 - \$.065 = \$.895





Therefore, the additional direct  
steel labour cost =  
 $286,000 \times .895 = \underline{\underline{\$256,000.}}$

GROUPS 2 & 3 (Combined) OUTFITTING

Material

The British material for these groups is  
£114,805 or \$321,000.

(1) If the same vessel were built in a Canadian yard and if as much as possible of this outfitting material were purchased in the U.K. to take advantage of the cheaper market, the total sum to be paid for this U.K. purchased material would be about \$200,000. On this material an average of 7% freight, 5% agents fees, etc., would have been included. Therefore the price to the British shipyard purchasing this same material could not be more than \$178,000, i.e., the Canadian shipyard will pay at least  $(200,000 - 178,000)$  i.e., 22,000 more for this same material. If the total British cost of material in these groups is \$321,000 as above and if the British would pay \$178,000 for the material which the Canadian Shipyard would buy in Britain, then the remainder i.e.  $(321,000 - 178,000) = \$143,000.$  is the British cost of materials which the Canadian shipyard buys in Canada or the U.S.

(2) In order to establish the average percentage higher price which the Canadian shipyard will have to pay for these items purchased in Canadian or U.S. markets where labour rates are between 2 and 3 times those in U.K., the following typical examples are cited -

Steel plates	24½%
A Bronze Propeller	16 %
A 9,000 lb. Cast Steel Anchor	68 %
2-3/6" H.T. Anchor Cable	32 %
4" circ., 6/12 Wire Rope	51 %

It is difficult to be precise about the correct average percentage increase on the numerous items involved, but it seems that as a low estimate the Canadian shipyard will have to pay at least 25% more than the British. Thus the extra cost to the Canadian shipbuilder will be at least 25% of \$143,000 = \$35,800.





1 plus the additional amount due to  
2 average freight, agents fees, etc.,  
3 on purchased from the U.K. noted  
above = \$22,000.

4 or a total on these combined  
5 groups of \$57,800.

6  
7 Labour.

8 The British labour for these  
9 groups £ 56,700.

10 Assuming the average labour rates  
11 as above, this is equivalent to  
12 £56,700 x 2.80 = 262,000 man hours  
13 .605

14 Therefore, the additional direct  
15 labour cost to the Canadian  
16 shipyard versus the British =  
17 262,000 x \$.895 = \$235,000.

18  
19 GROUP 4 - MACHINERY

20 The British material and labour  
21 figures evidently allow for the  
22 purchase of all auxiliary machin-  
23 ery and for the actual construc-  
24 tion of the main engine as well  
25 as its installation in the  
26 vessel.

27 The total manhours allowed are  
28 £75,755 x 2.80 = 350,000 manhours  
29 .605

30 The Canadian estimate for  
installing machinery, an allow-  
ance for machining of shafting,  
etc., and including wiring is  
about 75,000 manhours

The British cost of the machin-  
ery, exclusive of installation  
in the vessel, will be -

Material £170,130 x 2.80 = \$476,000.

Labour (350,000 - 75,000)  
x .605 = \$166,000.

Total material and labour = \$642,000.







1 Overhead at 80% on direct  
2 labour = \$132,800.

3 Total Cost = \$774,800.

4 The Canadian shipyard will  
5 pay this sum plus 7% plus  
6 5% for average freight and  
agents fees, etc. = \$870,000.

7 i.e., more by \$ 95,200.

8  
9 Note. For the overhead rate used in this group,  
10 see Group 5 (Overhead & Profit, etc.)

11 In addition, if the Canadian shipbuilder  
12 is buying the main engine from a British engine  
13 builder, the British engine builder will add a  
14 profit to the cost of the main engine.

15 The above material figures include, of course,  
16 the cost of the auxiliary machinery and in order to  
17 establish the probable profit which the British  
18 engine builder will charge it is necessary to  
19 separate the cost of the main engine from the  
20 above figures. It may be taken that the cost of  
21 the main engine, complete, is approximately  
22 \$400,000. and assuming that the British engine  
23 builder takes a 10% profit, the additional amount  
24 paid by the Canadian shipbuilder on this item  
25 will be approximately \$40,000. On the 75,000  
26 hours of installation labour the Canadian ship-  
27 yard will pay more by  $75,000 \times .895 = \$67,000.$   
28 and the summary will be as follows:-  
29  
30



Summary

	<u>Material</u>	<u>Labour</u>
Extra due to freight and agents fees, etc., on machinery	\$95,200	-
Profit on main engine	\$40,000	
Extra on installation labour	-	\$67,000
	<hr/>	<hr/>
	\$135,200	\$67,000
	<hr/>	<hr/>

GROUP 5 - OVERHEAD AND PROFIT, ETC.

The total sum indicated for overhead charges, etc., and profit - £151,960.

The amount included for profit in this total is not known, but as an assumption let it be taken that the profit is 10% on the total cost of the vessel, i.e., approximately £68,200, then the remainder is the amount for overhead, i.e., £83,760.

Expressed as a percentage of the direct labour cost of £194,265, this is 43%.

It may be argued that the overhead rate applicable to the building of an engine should not be the same as the overhead rate applicable to the building and outfitting of a ship's hull and this is reasonable. An assumption has therefore been made that a profit of 10% on the total cost of the vessel is included and that the remainder is the amount for overheads, i.e., £83,760, and that this is split between groups





1, 2 and 3 is a third of that applied to group 4.

This ratio of overhead rates is reasonable and the following result is obtained.

	<u>Labour</u>	<u>Rate</u>	<u>Overhead</u>
Shipyard labour £61,810 ÷ £6,775 ÷ £49,925	£118,510		
Add the Sterling equivalent of machinery installation (75,000 manhours) deducted from machinery comparison, see Group 4, <u>75,000 x .605</u> 2.80	<u>£ 16,200</u>		
	£134,710	26.7%	36,110
Engine Building Dept. Labour £75,755 - £16,200	£ 59,555	80%	47,650
Total labour as shown	<u>£194,265</u>	<u>43%</u>	<u>£83,760</u>

N.B. It may be found that the ratio of 3 to 1 for the two overheads is too high - however if reduced, the result would be to increase the overall difference in total ship cost shown in the summary.

We now turn to the summary which shows for material and labours, these are extra which have been dealt with in Group 1 results in Group 1, Steelwork, material extra of \$74,600 and labour extra of \$256,300. In Groups 2 and 3, outfitting, a material extra of \$57,800 and a labour extra of \$235,000. In Group 4, machinery, material extra by 135,200 and labour extra by







1 67,000. The total labour extra is \$558,000.

2 In Group 5, overhead taken at 26.7% of  
3 direct labour is \$149,000. Material, \$267,600.  
4 So that the total additional cost is \$974,600,  
5 and profit at the assumed British rate, 10%, is  
6 \$97,460 for a total difference in price of \$1,072,060.

7 The total British price of £750,435 is the  
8 equivalent of \$2,101,000, and therefore the increase  
9 indicated above is about 51%.

10 Thank you.

11 COMMISSIONER BELANGER: You assumed the  
12 same rate of overhead in both cases?

13 MR. PECK: Yes, by assuming the British  
14 profit we have deduced what the overhead rate  
15 would be on their direct labour. If we had ig-  
16 nored this possible difference of overhead when we  
17 came to do the summary here the overhead would  
18 have been put in at 43% of direct labour and  
19 the spread would have been greater, but we felt  
20 this was the reasonable way to approach it.

21 THE CHAIRMAN: I see the tables are on  
22 the basis that it takes the same number of man-  
23 hours to build a ship in Canada as in the United  
24 Kingdom.

25 MR. PECK: Yes.

26 THE CHAIRMAN: If it takes more, then  
27 it will very greatly increase the differential  
28 between the United Kingdom building costs and the  
29 Canadian building costs.  
30





1           MR. PECK:   If it takes more manhours for  
2 Canada?

3           THE CHAIRMAN:   Yes.

4           MR. PECK:   Yes, it would.   It would have  
5 that effect.

6           COMMISSIONER BELANGER:   But you do not  
7 have any indication of the number of manhours taken  
8 in both countries.

9           MR. PECK:   Well, we have actually purposely  
10 endeavoured not to make comparisons on that basis  
11 because one of the first difficulties we run into  
12 is that you have got to know precisely what  
13 earning is included in each of these groups. That  
14 is basically the reason for keeping this on  
15 this basis.

16           COMMISSIONER WICKWIRE:   If your ship were  
17 built on the West Coast the cost would be very  
18 much larger, would it not?

19           MR. PECK:   Yes, the cost would be.   You  
20 can go through this arithmetic here with any  
21 average labour rate that you care to select and  
22 if it was higher than \$1.50 per hour then the re-  
23 sult would be higher.

24           COMMISSIONER WICKWIRE:   We have had  
25 evidence that it was as much as 40¢ an hour in  
26 one classification of work, a pipe-fitter,  
27 between Montreal and Vancouver.

28           THE CHAIRMAN:   We have also had evidence  
29 that it was not 151% of the United Kingdom cost  
30





1 but 200% of the United Kingdom cost.

2 MR. PECK: Well, as I mentioned in the  
3 remarks to begin with, we did on this particular  
4 ship make two estimates and compared them.

5 THE CHAIRMAN: Those are both East Coast  
6 shipyards.

7 MR. PECK: Yes. That is typical of Eastern  
8 Canadian yards.

9 THE CHAIRMAN: Do you have anything, Mr.  
10 Mundell?

11 MR. MUNDELL: No, I have not.

12 MR. LOWERY: I think when we get down to  
13 it the price as arrived at by the two independent  
14 shipyards bears a fairly good relationship to that  
15 of our own analysis.

16 THE CHAIRMAN: Oh, yes, I agree.

17 MR. McLAGAN: We have Mr. Fernand Paul-hus  
18 here from Marine Industries. If you could spare  
19 the time I think he would like to make a submission  
20 in front of the Commission.

21 THE CHAIRMAN: Yes.

22  
23  
24 MR. MUNDELL: Can you give your occupa-  
25 tion?

26 MR. PAUL-HUS: Yes. I am a naval archi-  
27 tect for Marine Industries Limited at Sorel.

28 ---Mr. F. Paul-hus appearing for Marine Indus-  
29 tries Limited.

30







1 MR. PAUL-HUS: Mr. Chairman, I would just  
2 like to say I have worked with Mr. Peck on behalf  
3 of the Canadian Shipbuilding Association to make  
4 a comparison to show the increase of costs from  
5 United Kingdom to Canadian-built ships based on  
6 the article shown in the Shipping World.

7 Independently from this comparison we have  
8 made out an estimate based on information contained  
9 in this article, and although the details given  
10 in this article are not very complete, we have  
11 arrived at an approximate estimate that indicated  
12 the difference in cost is about 59 or 60% more  
13 than the U.K. price.

14 As I mentioned, there is not enough infor-  
15 mation in this article for us to prepare a detailed  
16 estimate, but the general indication is that our  
17 costs will be about 59 or 60% more.

18 Thank you.

19 THE CHAIRMAN: Thank you.

20 Have you got a summary of that computation,  
21 Mr. Hus?

22 MR. PAUL-HUS: No. Actually, we would  
23 have had to make only a very approximate esti-  
24 mate because the detail, you see, did not let us  
25 make an estimate which could be specific.

26 THE CHAIRMAN: Not enough for you to  
27 obtain it anyway?

28 MR. PAUL-HUS: No.

29 THE CHAIRMAN: I think that concludes the  
30





1 hearing for this morning.

2 I wish to express the Commission's appre-  
3 ciation for the very long, arduous and very complete  
4 work done by particularly Mr. Lowery and Mr. Peck  
5 and Mr. Hus and to say that we will certainly  
6 give this our very careful consideration, and it  
7 will be of considerable help in our work.

8 The Commission will resume next at 10.00  
9 o'clock in the morning on the 4th day of January,  
10 1956 in Income Tax Appeal Board hearing room, which  
11 is best entered off McKenzie Avenue at the long  
12 temporary building past the National Revenue.  
13 It is the second building from Rideau Street as you  
14 go along McKenzie Avenue. I am telling you this  
15 because it will save you three floors of climbing.

16 MR. McLAGAN: Mr. Chairman, if I may say  
17 with respect to the remark you made about the man-  
18 hours in Canadian shipbuilding yards, we have  
19 never had any indication that our men were less  
20 efficient than they were in the U.K.

21 During the war when we were building a  
22 substantial number of the same kinds of vessels  
23 I think we certainly proved that we were the  
24 equal of the European yards as far as the ability  
25 to do any work was concerned.

26 When we get down to costs, sometimes we  
27 have to buy our main machinery from the United  
28 States where the cost is substantially more.  
29 Sometimes if delivery is not urgent we can send  
30





1 over to Europe and get machinery there which is  
2 much cheaper.

3 THE CHAIRMAN: It would increase the differ-  
4 ential.

5 MR. McLAGAN: Yes.

6 ---Conclusion of hearing.  
7

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